



# CONTENTS



## **INTRODUCTION:**

- THE SOUTH AFRICAN SAVINGS LANDSCAPE

## **OLD MUTUAL SAVINGS MONITOR**

- OBJECTIVES
- RESEARCH METHODOLOGY

## **A TASTE OF THE RESEARCH FINDINGS**

- ARE SOUTH AFRICANS SAVING MORE OR LESS?
- WHAT SAVINGS VEHICLES ARE SOUTH AFRICANS USING?
- WHAT ARE SOUTH AFRICANS SAVING FOR?
- GENERATION Y
- SAVINGS TYPOLOGIES

# INTRODUCTION

## THE SOUTH AFRICAN SAVINGS LANDSCAPE

# SOUTH AFRICANS AREN'T SAVING



“Individual South Africans are not saving and the trend appears to be getting worse each year.

The fundamental reason for this lies in the consumer behaviour and a number of measures need to be adopted to develop a savings culture in this country.

Education is a core strategy and campaigns have to be directed at helping people to understand the importance of saving.”

- South African Savings Institute

# THE TREND IS GETTING WORSE

- Deputy Minister of Finance, Nhlanhla Nene, said in July this year that –
- Household saving as a % of GDP has declined sharply over the last 15 years
  - From 3.2% in the 1980s
  - To 0.2% in the past decade
- And Household saving as a % of disposable income has fallen
  - From 5.4% in the 1980s
  - To 0.28% in the past decade

# THE EFFECT OF A POOR SAVINGS CULTURE



- Households are more vulnerable to shocks to income and prices
- Constrains individual's ability to put down deposits on large assets such as a house, which affects wealth creation
- Increased burden on government to provide retirement assistance, increasing the need to raise taxes

# OLD MUTUAL SAVINGS MONITOR

# SAVINGS MONITOR

## OBJECTIVES

# SAVINGS CHAMPION

- Old Mutual is investing in a sustained initiative to grow a positive savings culture in South Africa
- 'What's good for South Africa is good for Old Mutual'
- The SAVINGS MONITOR Research is one key pillar of this initiative

# FOCUS ON INDIVIDUALS

- The SAVINGS MONITOR is Old Mutual's proprietary research that tracks the savings behaviour of working metro South Africans
- There are various organizations that track savings performance on a macro-economic level, while the SAVINGS MONITOR allows individuals to assess their personal savings behaviour
- This self-awareness is the first step towards raising positive savings consciousness

# RICH UNDERSTANDING

- The SAVINGS MONITOR Research will be repeated bi-annually
- It provides Old Mutual with rich knowledge of South Africans' savings behaviour
- Which greatly improves our ability to provide the right solutions for a healthy financial future

# BIGGER PICTURE

- The SAVINGS MONITOR Research is just one part of our Savings Champion initiative
- Elements to follow include customized education campaigns, advertising and an interactive consumer savings portal
- This will augment our current financial literacy campaigns nationwide

# SAVINGS MONITOR

## RESEARCH METHODOLOGY

# RESEARCH METHODOLOGY

- Tracking study to look at trends
- Bi-annual survey from 2010
- 1000 working metro households
- Face-to-face interviews
- Questionnaires piloted extensively to ensure understanding
- Conducted by independent research house Peppercorn Research
- 95% confidence level with confidence interval of 3.1%

# DEFINITION OF SAVINGS

- 'SAVINGS' includes putting money away into savings accounts, policies and investments
- 'SAVINGS' also includes holding back on spending and using that money to pay debt faster, like putting extra into your home loan

# DEFINITION OF GENERATIONS



- BABY BOOMERS                      born before 1965
- GENERATION X                      born 1965-1980
- GENERATION Y                      born after 1980

# DEFINITION OF LIFE STAGES

AT HOME SINGLES	Up to 34 years, live with parents Not married / not living together No children of their own
STARTING OUT SINGLES	Up to 34 years, not living with parents Not married / not living together No children of their own
MATURE SINGLES	35 to 49 years Not married / not living together No children of their own
COUPLES	Up to 49 years Married / living together No children of their own
NEW PARENTS	Married / living together With children up to 12 years No children 13+ years Children of their own who are dependent on them
MATURE PARENTS	Married / living together With children – at least one 13+ years Children dependent on them
SINGLE PARENTS	Not married / living together With children of their own who are dependent on them
GOLDEN NESTS	50+ years Married / living together No children dependent on them
LEFT ALONES	50+ years Not married / not living together No children dependent on them

# A TASTE OF THE RESEARCH FINDINGS

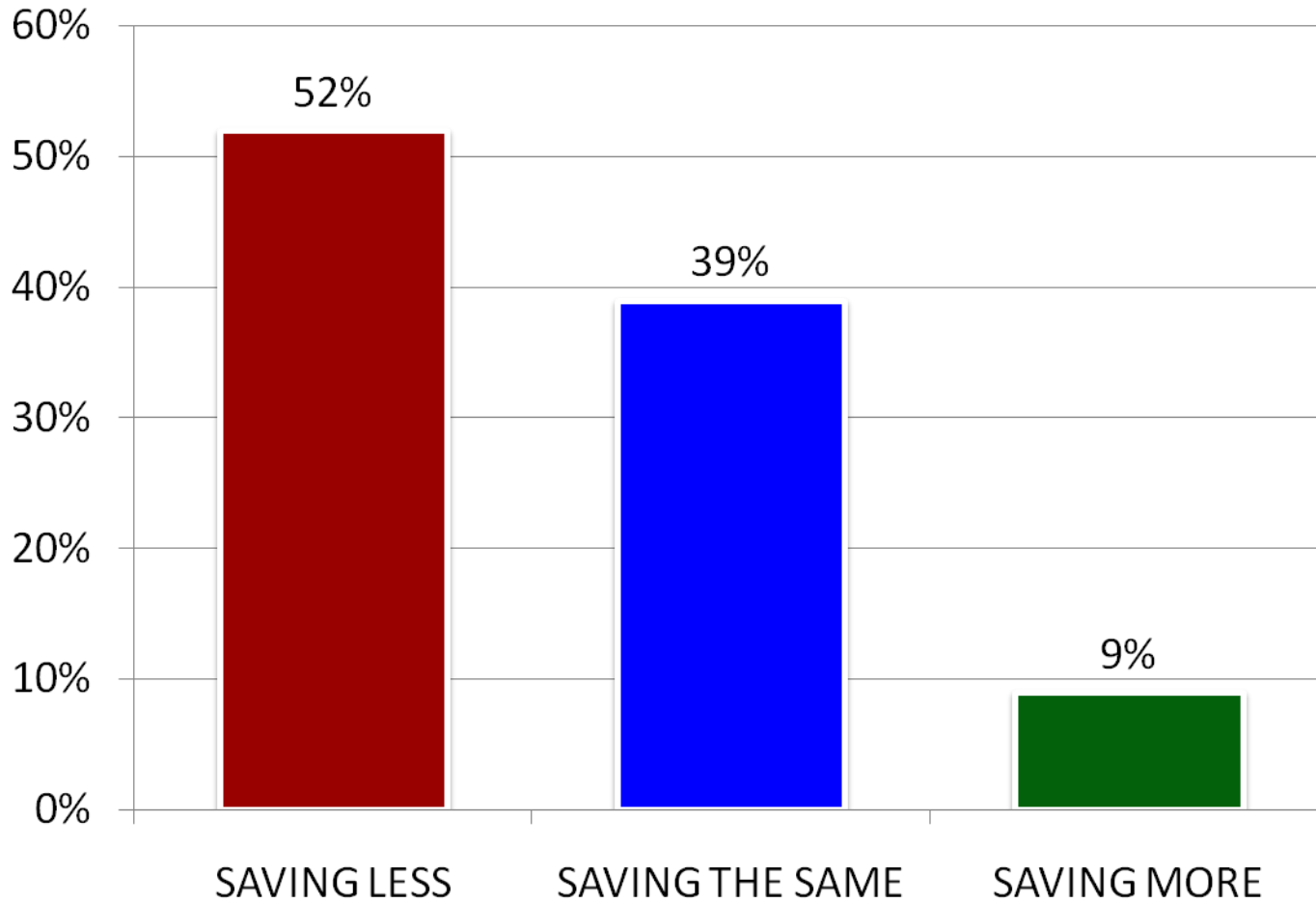
COMPARED TO A YEAR AGO  
ARE SOUTH AFRICANS  
SAVING MORE OR LESS?

# ARE SOUTH AFRICANS SAVING MORE OR LESS?



- Savings behaviour has weakened sharply since the recession set in
- Compared to a year ago, 1 in 2 working households are saving less
- While only 1 in 10 households are saving more

## HOUSEHOLD SAVINGS COMPARED TO A YEAR AGO



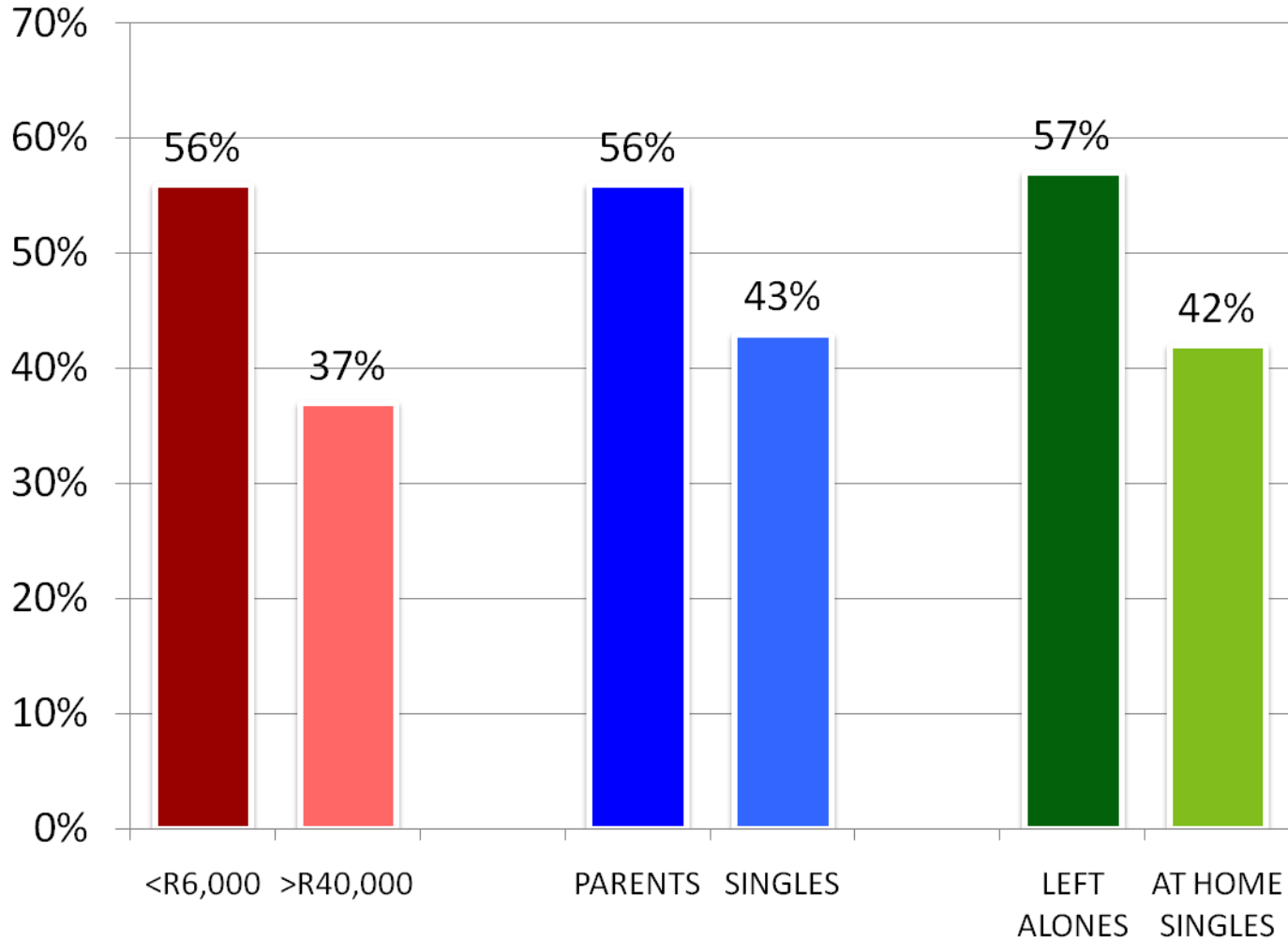
# REASONS FOR 'SAVING LESS'

- Poor culture of savings and understanding of savings vehicles
- Over-indebtedness
- Inflation increases & interest rate fluctuations
- The steep increase in house prices in the boom years prior to recession created a culture of savings through property, which has back-lashed now that property prices are in decline
- Property investments currently have a low liquidity, making it difficult for households to change savings behaviour easily

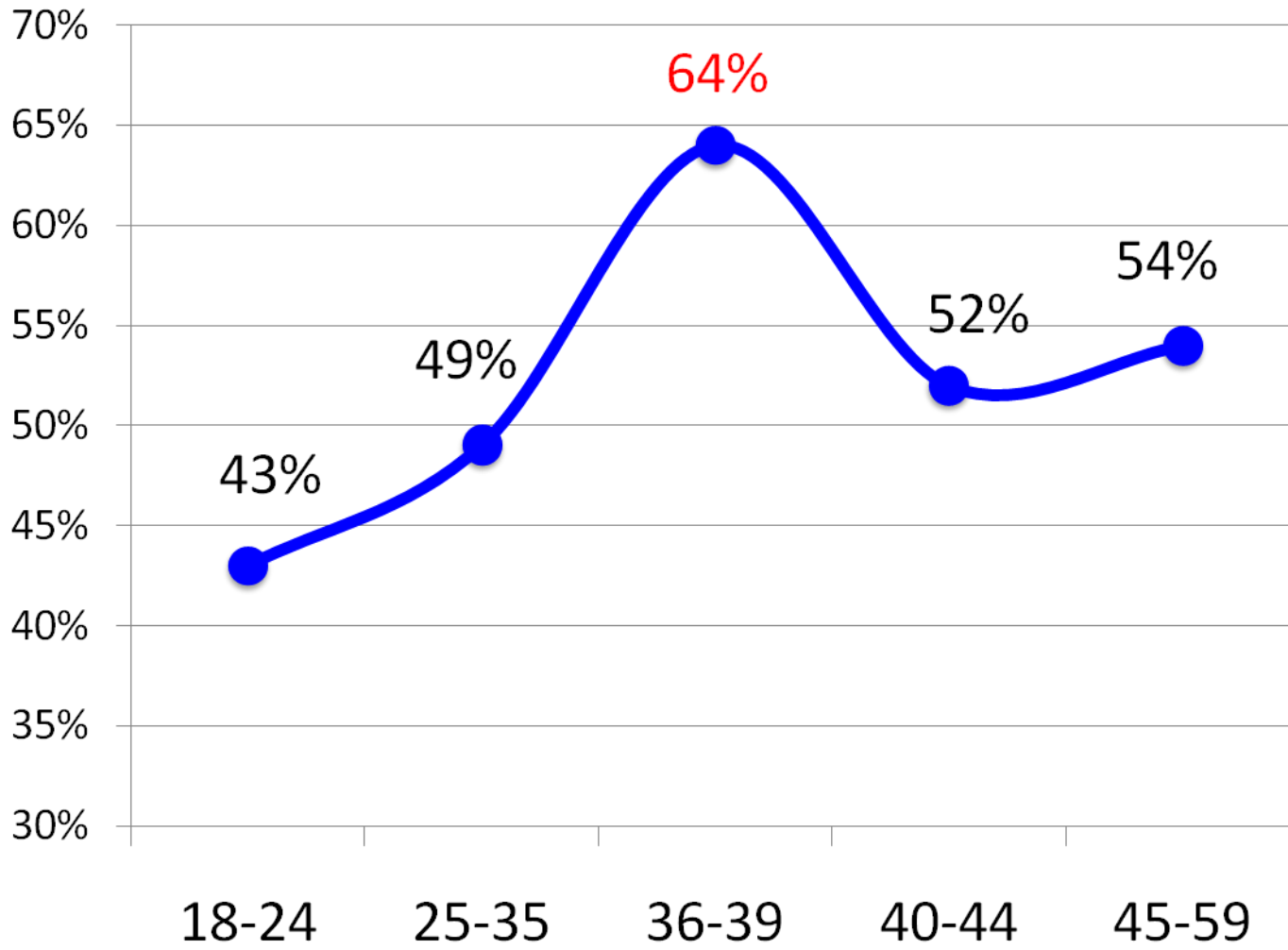
# HARDEST HIT - SAVING LESS

- Hardest hit segments include the most vulnerable people in our society, namely Lower Income Households and Older people
- Surprisingly though, the hardest hit segment of all are people aged 36-39, with two-thirds saving less
- These households tend to have high debt as they are financing bonds and vehicles, and on top of this have children to raise and educate
- This is corroborated by the greater decline in savings hitting Parents vs. Singles with no dependents

## HARDEST HIT - SAVING LESS



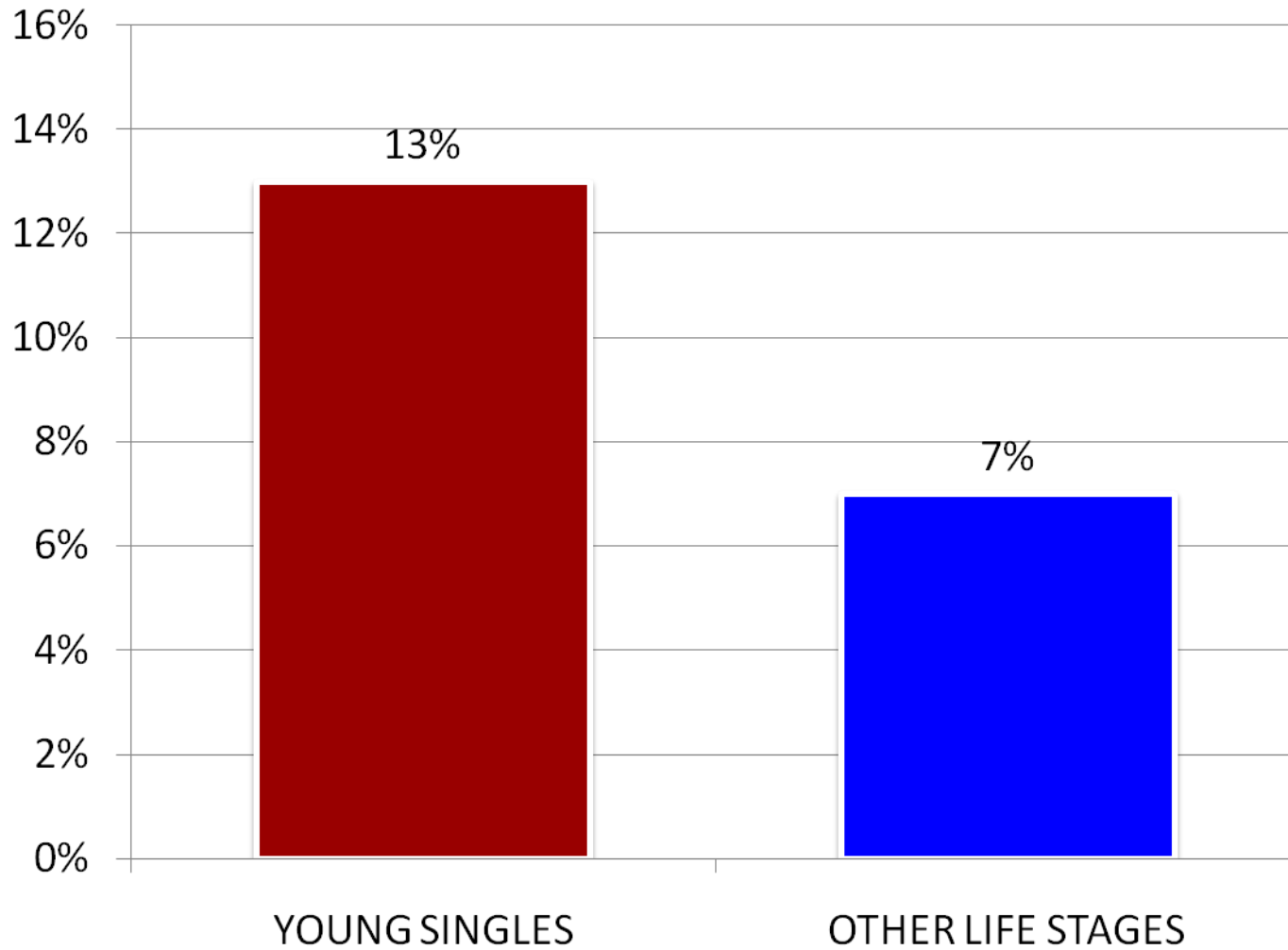
## HARDEST HIT - SAVING LESS



# SAVING MORE

- On the bright side, young, single people are twice as likely to be 'saving more' compared to others
- Which means a new generation has the OPPORTUNITY to develop better savings habits

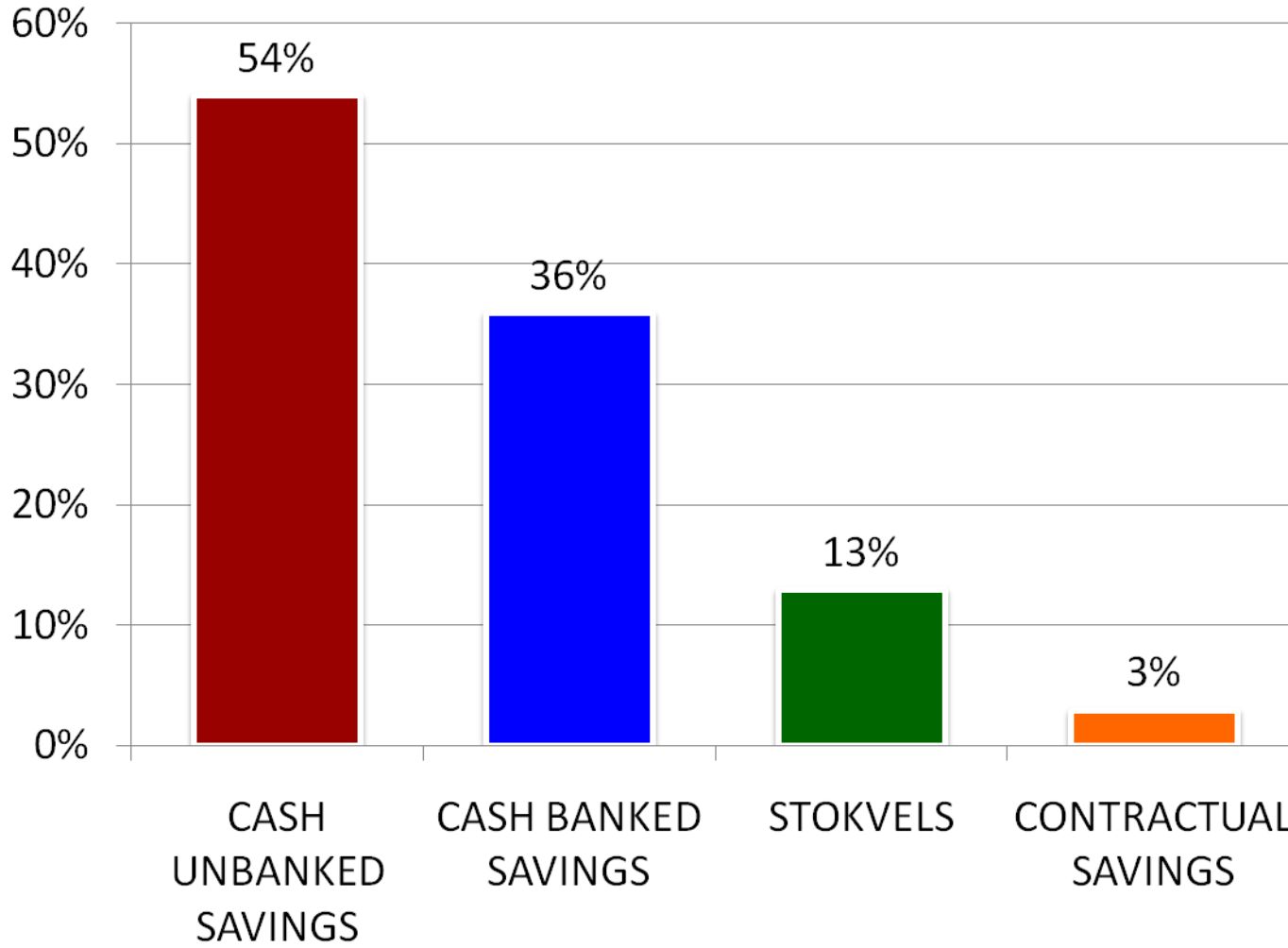
## SAVING MORE



# HARDEST HIT SAVINGS VEHICLES

- Cash savings have been hardest hit, with 1 in 2 banking less cash savings and 1 in 3 setting aside less unbanked savings (a.k.a. 'under the mattress' cash savings)
- Stokvels have also declined, but only by 1 in 10, which suggests the 'social contract' aspect of stokvels is more resilient than individual savings vehicles
- Fortunately contractual savings, like medical aid, endowment policies etc, have only declined on average by 3%

## HARDEST HIT SAVINGS VEHICLES

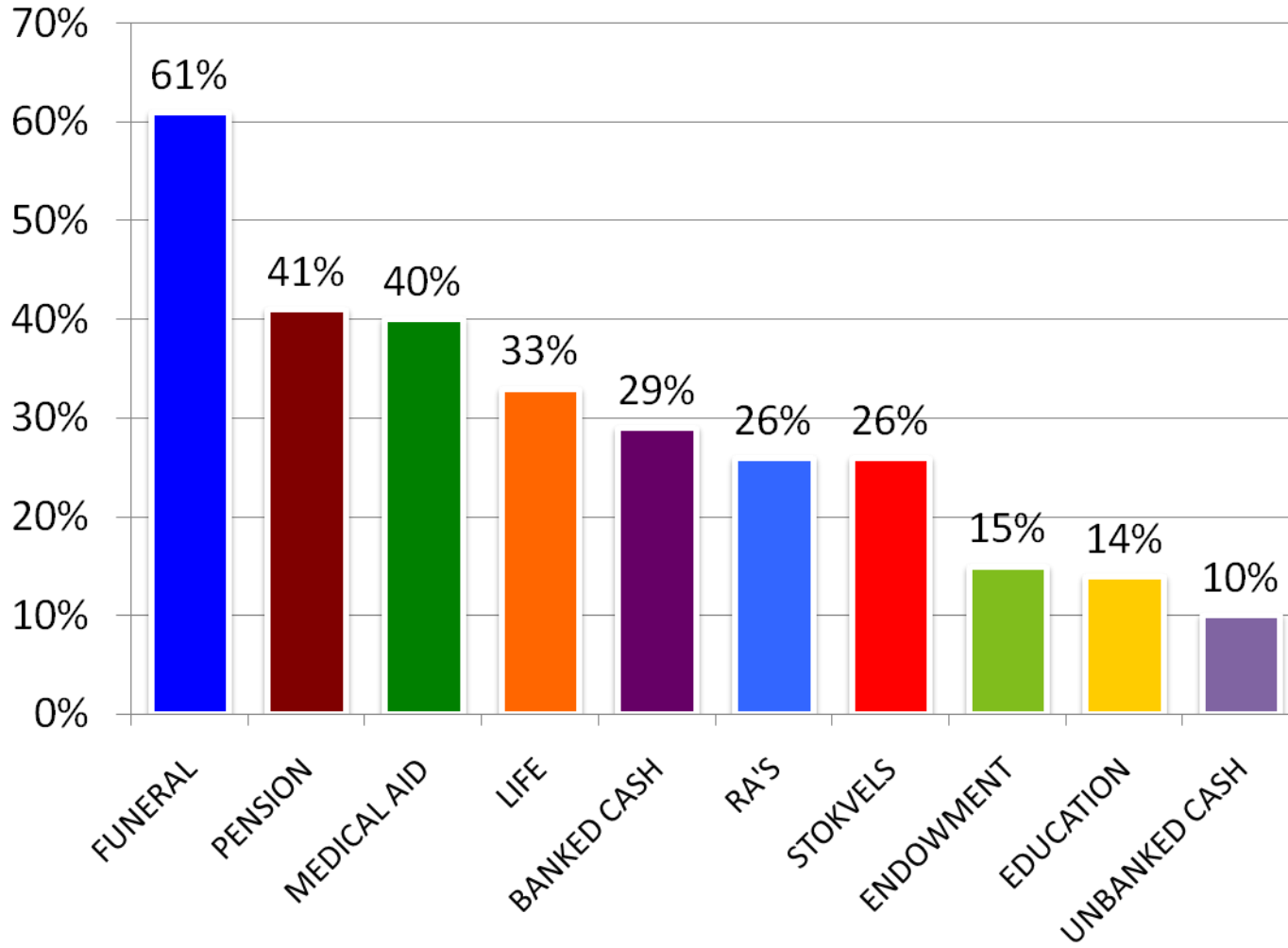


# WHAT SAVINGS VEHICLES DO SOUTH AFRICANS USE?

# SAVINGS VEHICLES

- The vehicle most used for savings in South Africa is funeral policies, with two-thirds of households being covered
- Pension & Provident funds, and Medical Aid Insurance follow with 2 out of 5 households
- Education policies show the lowest penetration of all formal savings vehicles

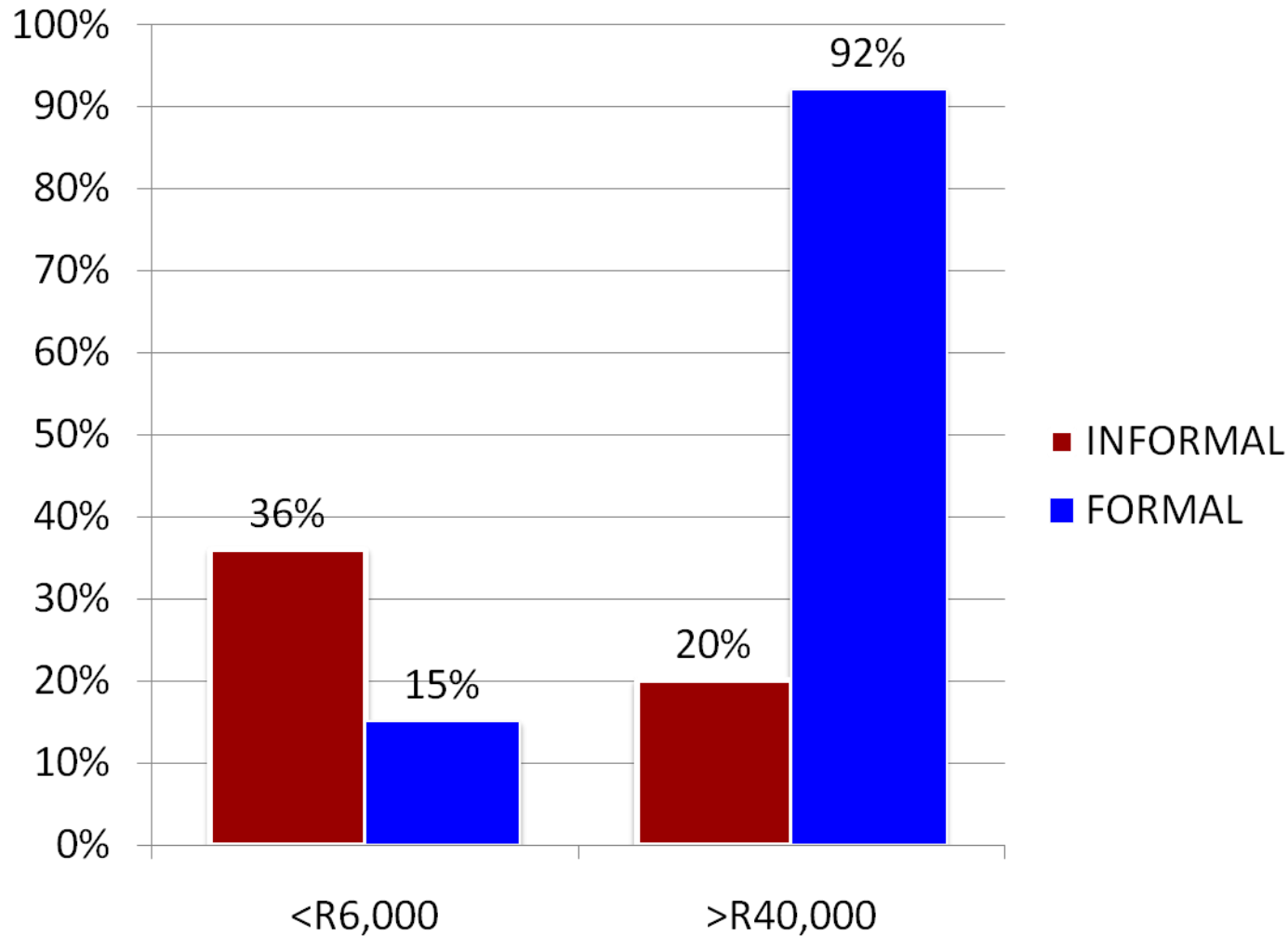
## SAVINGS VEHICLES USED IN SA



# FORMAL VS. INFORMAL SAVINGS

- Households earning <R6,000 are twice as likely to use informal savings vehicles like stokvels and unbanked cash savings, as opposed to formal financially registered services
- This contrasts dramatically with high income households with 9 out of 10 investing in some kind of formal savings vehicle

## FORMAL VS. INFORMAL SAVINGS VEHICLES

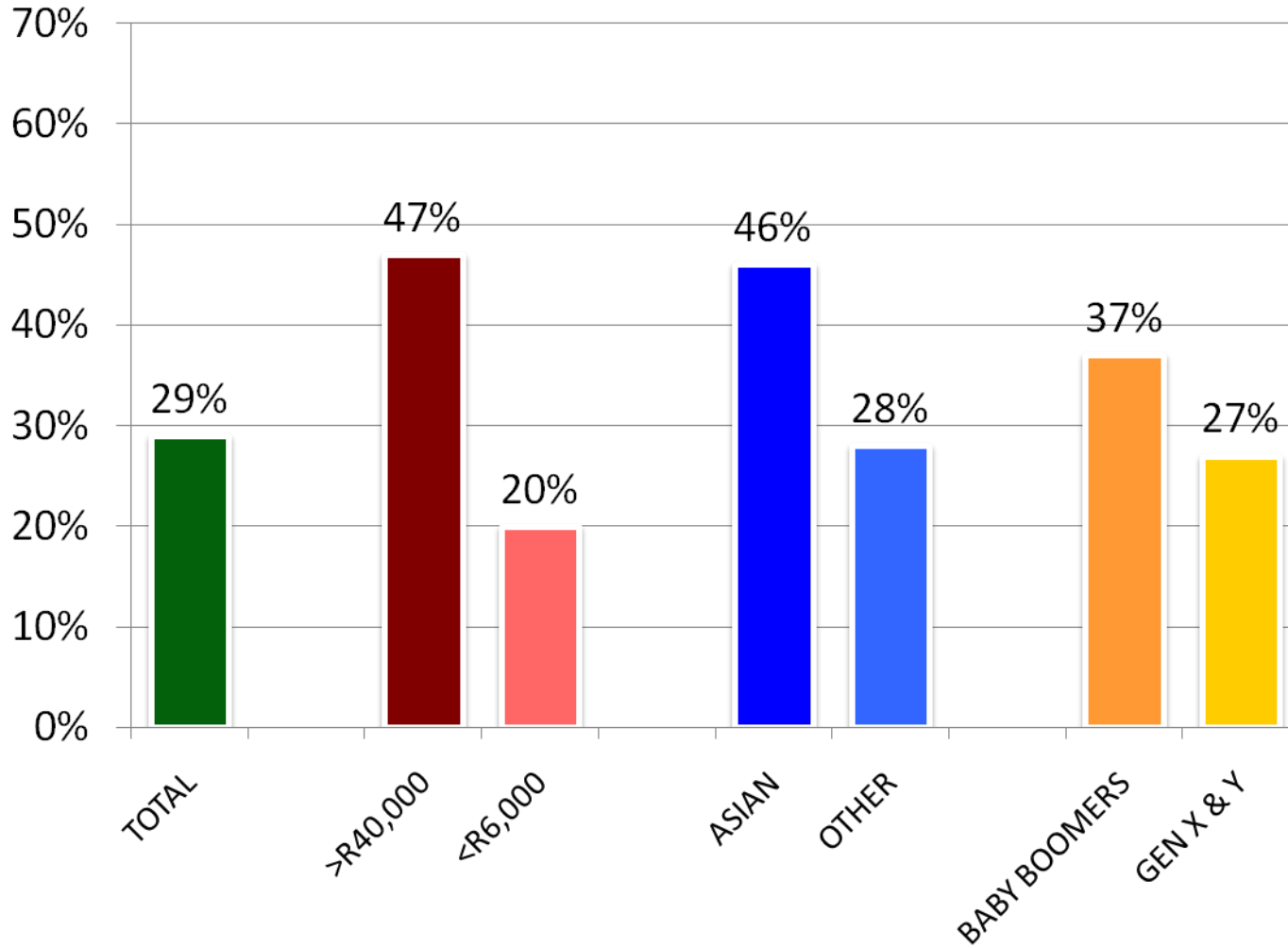


LET'S TAKE A CLOSER LOOK AT  
INDIVIDUAL SAVINGS VEHICLES ...

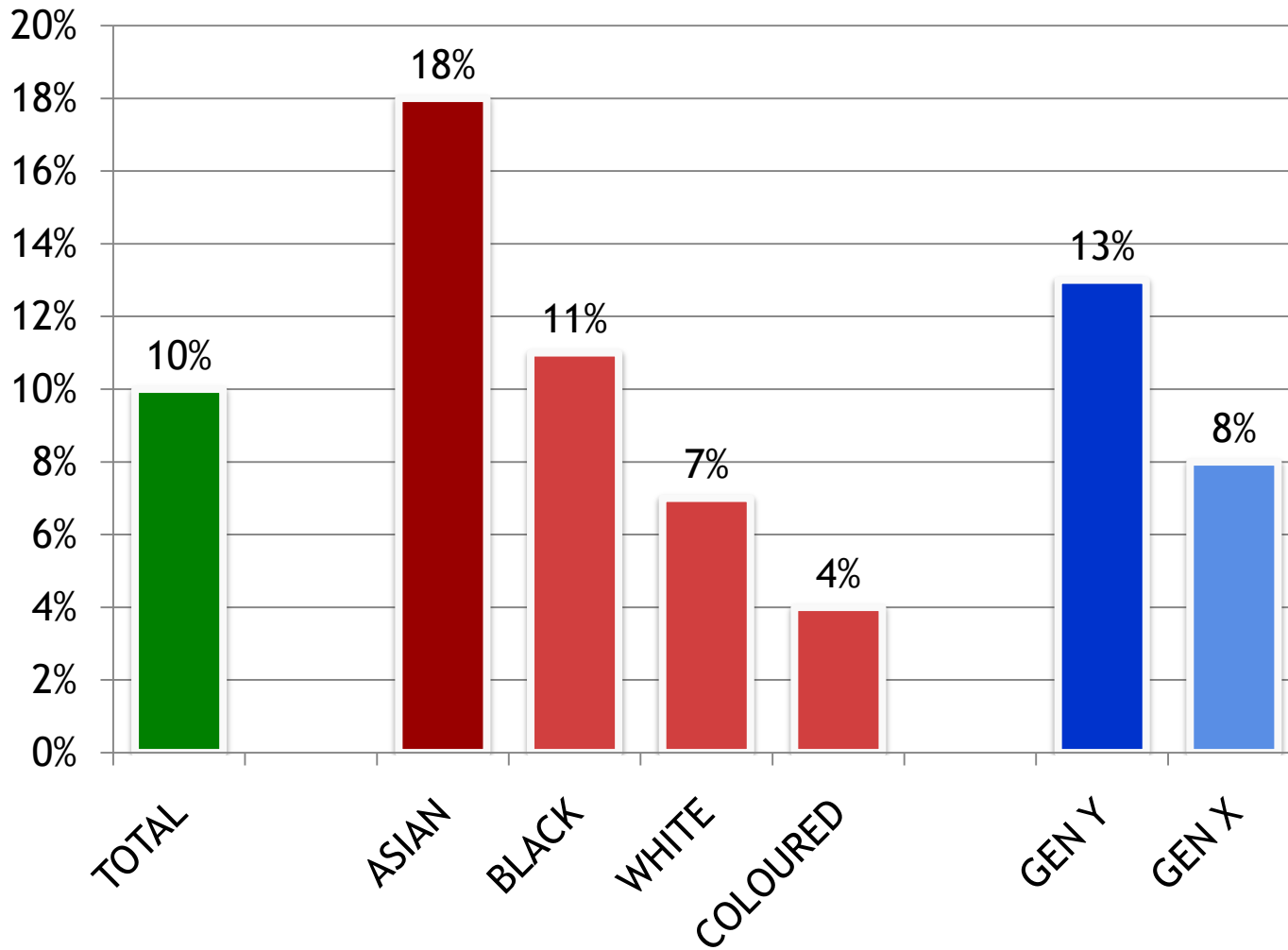
# CASH SAVINGS

- Almost a third of South African households have banked cash savings, and 10% bank 'under the mattress'
- Banked cash savings are more prevalent amongst Upper Income households, Asian households & 'Baby Boomers'
- Unbanked cash savings are most prevalent amongst Asian households and Generation Y

## BANKED CASH SAVINGS



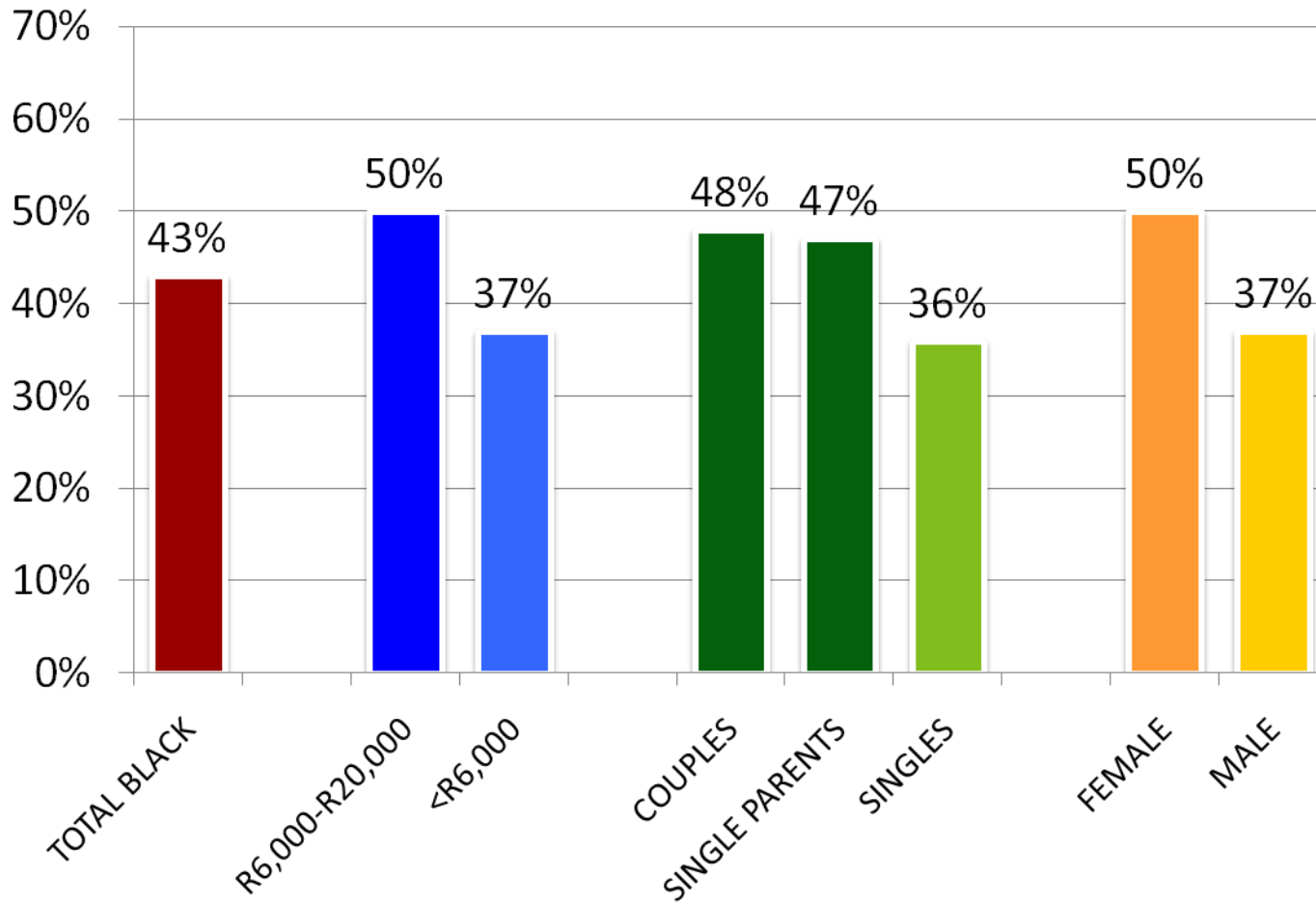
## UNBANKED CASH SAVINGS



# STOKVELS

- Only black households use stokvels for saving
- 43% of black households save through a stokvel
- Stokvel saving is skewed towards:
  - Household income of R6,000-R20,000
  - Couples & Parents
  - Women

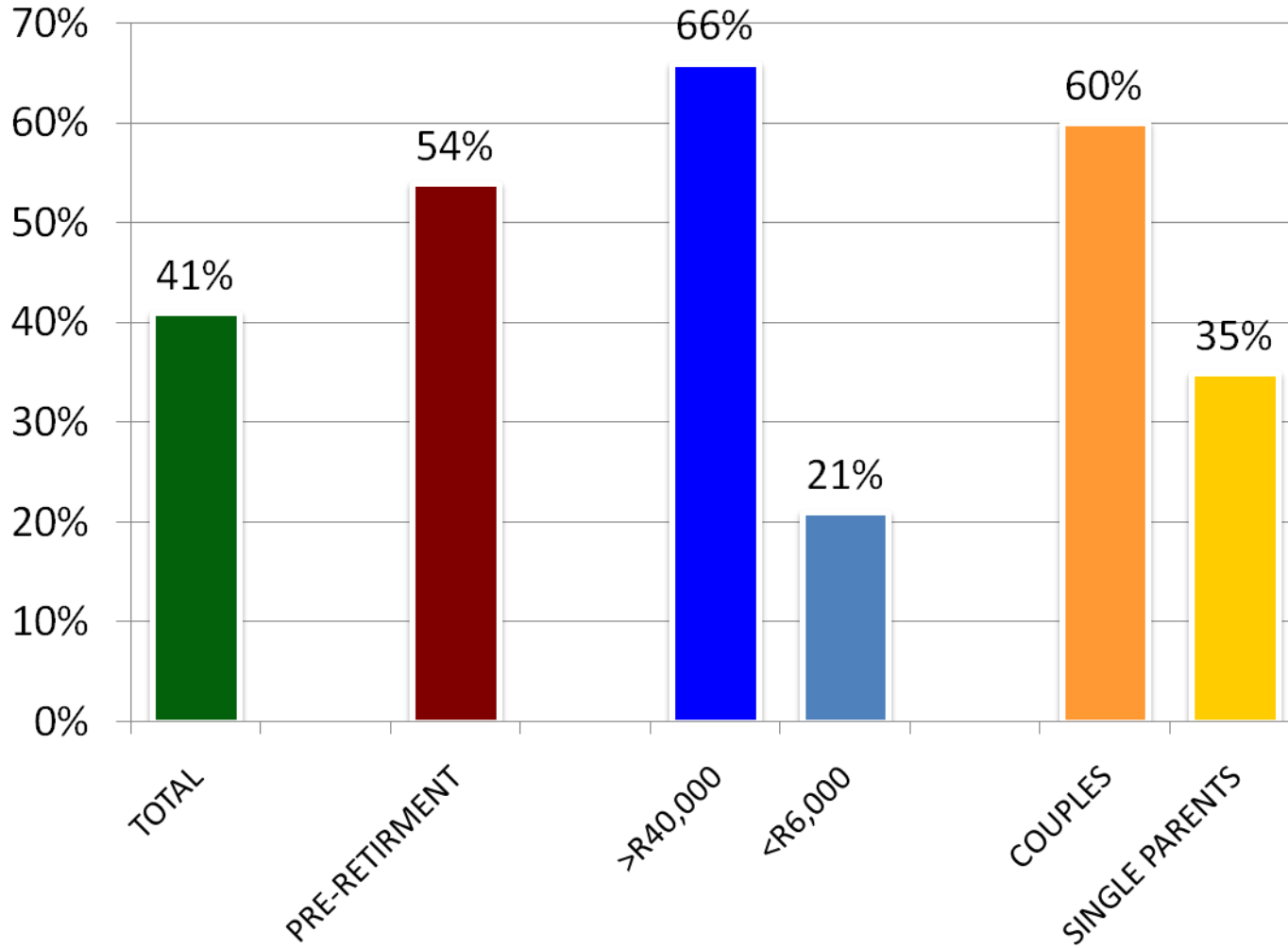
## STOKVELS / SAVINGS CLUBS (Filtered by Black Households)



# PENSION & PROVIDENT FUNDS

- 2 out of 5 households have a pension or provident fund
- Of concern is that only half of South Africans in pre-retirement age have formal pension funds
- Upper income households are 3 times more likely to have a pension fund than low income households
- Across various metrics, single parents show high vulnerability. Relative to pension & provident funds, they tend to have half as much cover as couples

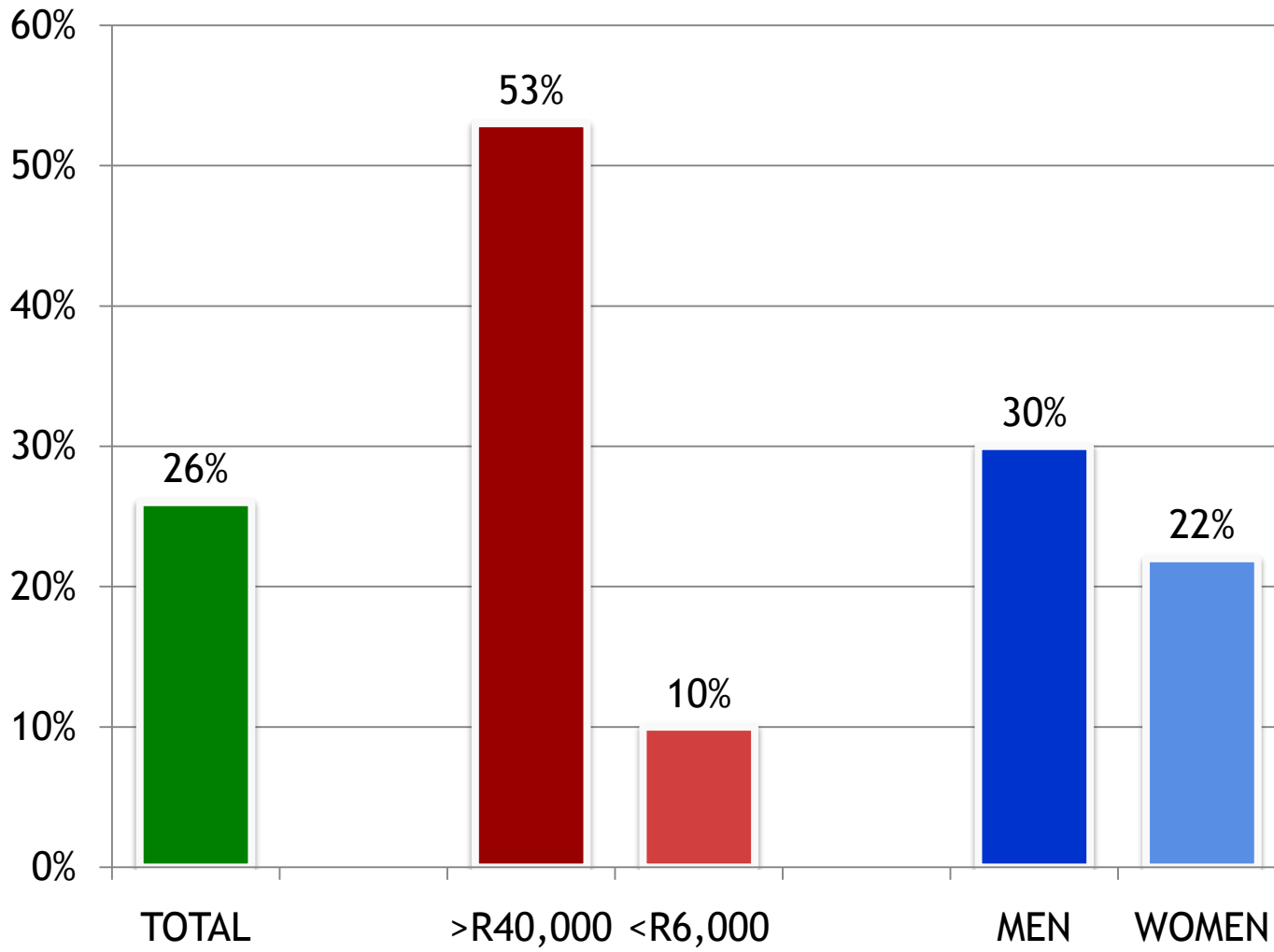
## PENSION / PROVIDENT FUNDS



# RETIREMENT ANNUITIES

- Only a quarter of households have Retirement Annuities
- As with pension & provident funds, income plays a significant role with upper income groups enjoying five times more protection than lower income households
- Men are also more protected than women

## RETIREMENT ANNUITIES

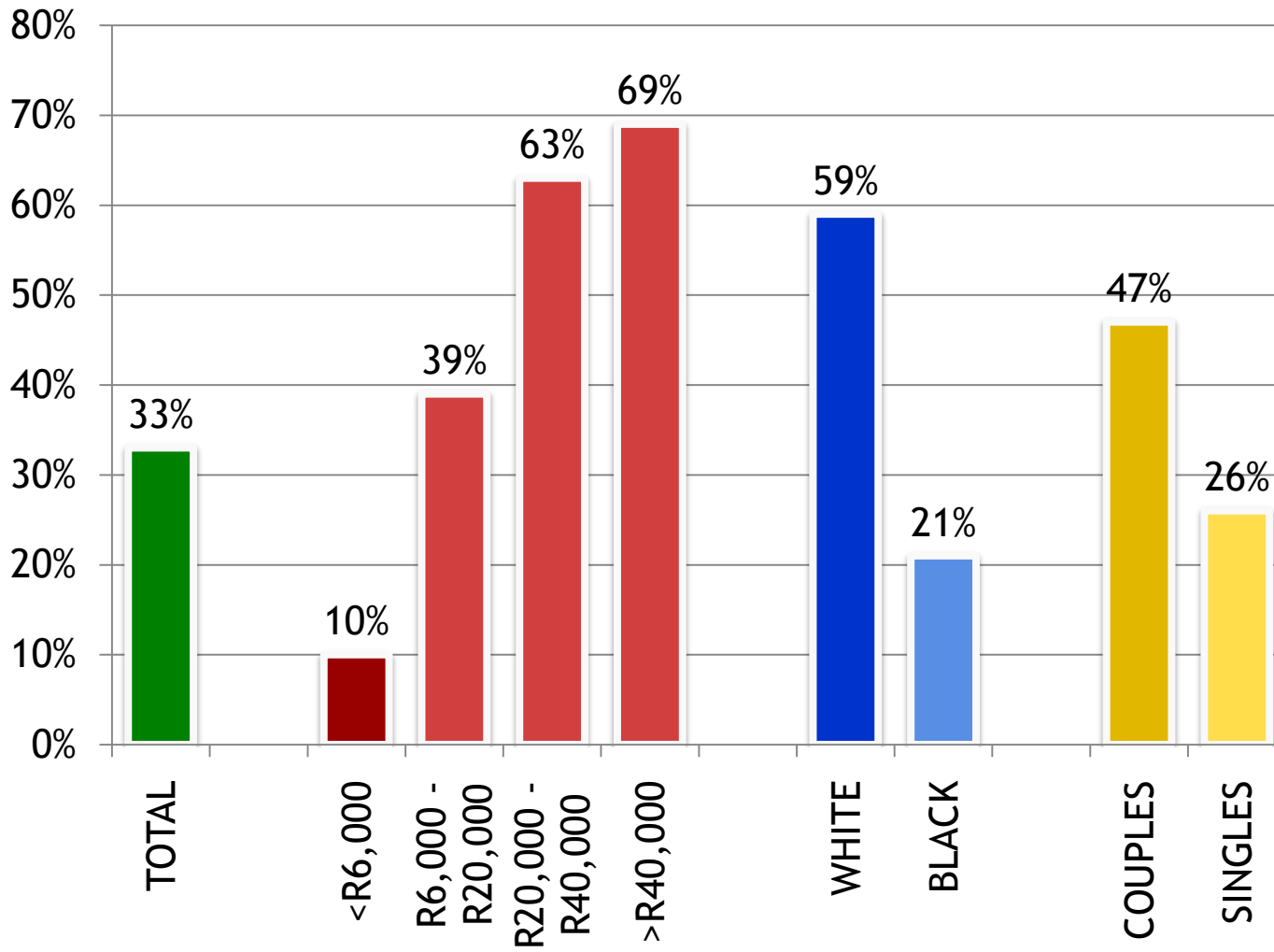


# LIFE & DISABILITY INSURANCE



- Only a third of households have Life or Disability cover
- Only 1 in 10 of low income households have cover vs. 7 out of 10 high income households
- White Households are 3 times more likely than Black Households to have cover
- Life & Disability cover is also skewed towards couples, who are twice as likely to have insurance as opposed to single people

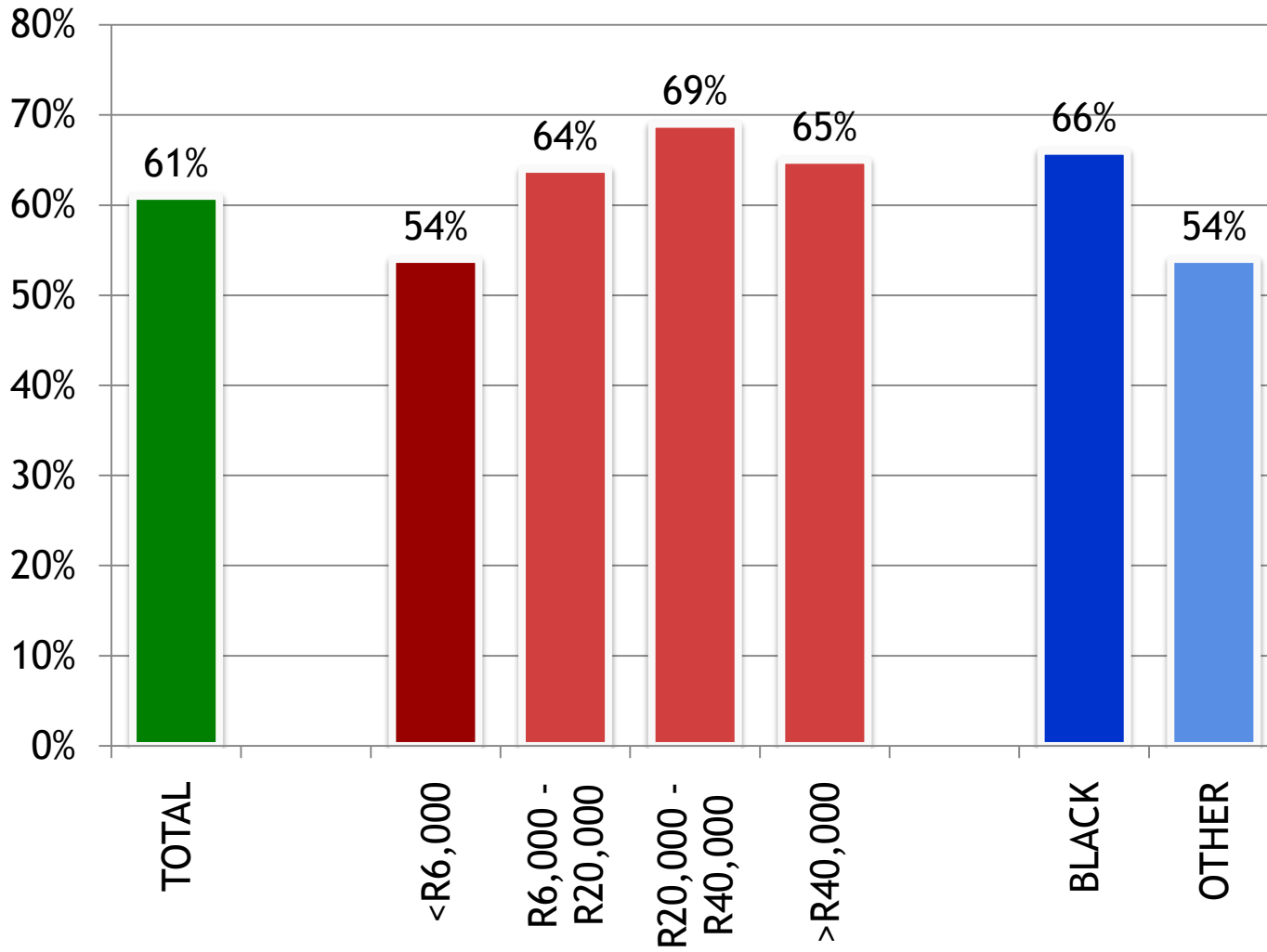
## LIFE & DISABILITY INSURANCE



# FUNERAL POLICIES

- Almost two-thirds of households have a Funeral policy
- Unlike other savings vehicles, which tend to show some marked skews, funeral policies tend to be more ubiquitous, showing relatively smaller skews

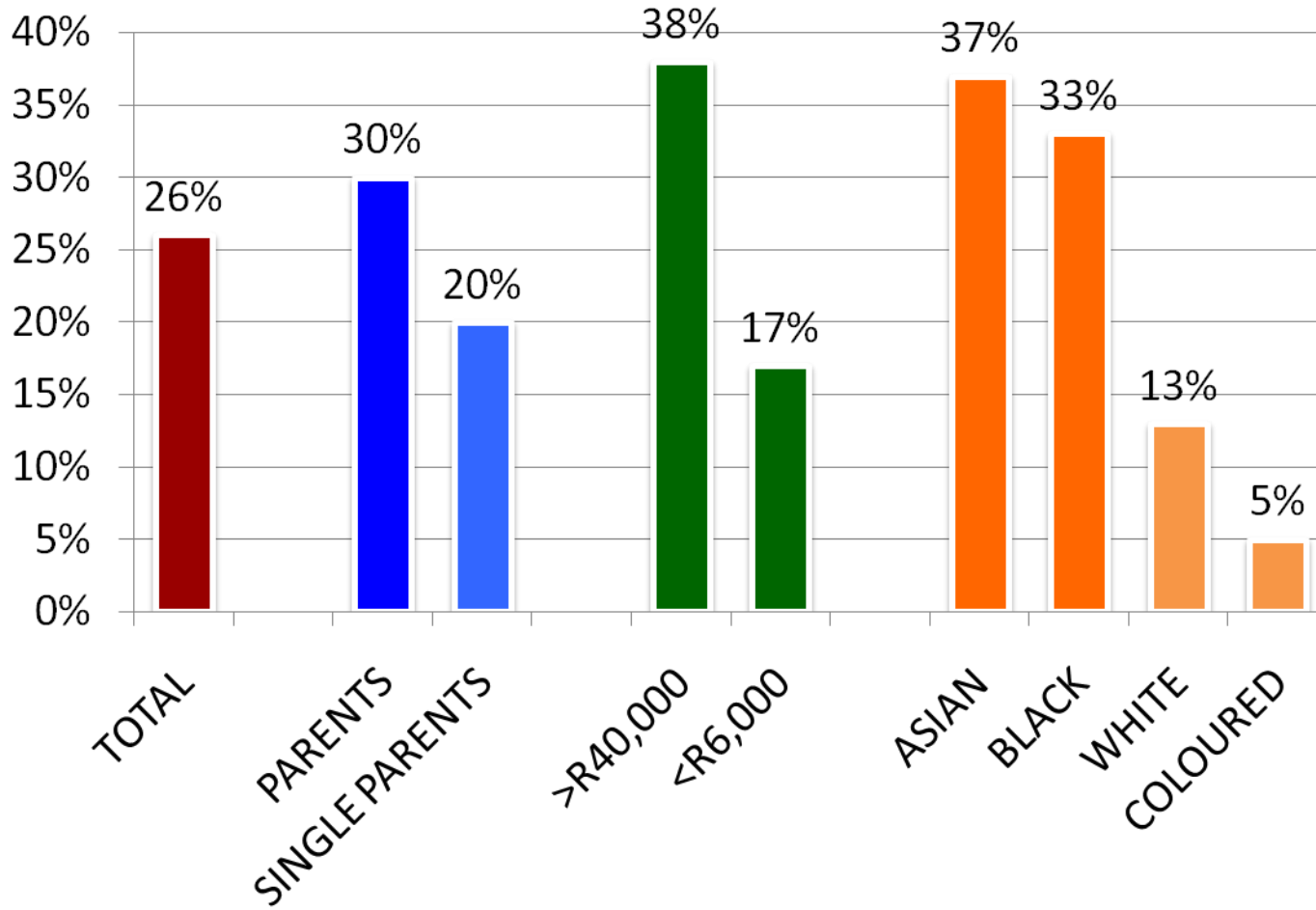
## FUNERAL POLICIES



# EDUCATION POLICIES

- Only a quarter of Households with Dependents have an education policy
- Single parents are even less likely to have a formal education policy
- High income households are twice as likely to have a policy than low income households
- Unlike many other formal investment vehicles, which tend to have a white skew, Black and Asian households are 3 times more likely to have education policies than White and Coloured Households

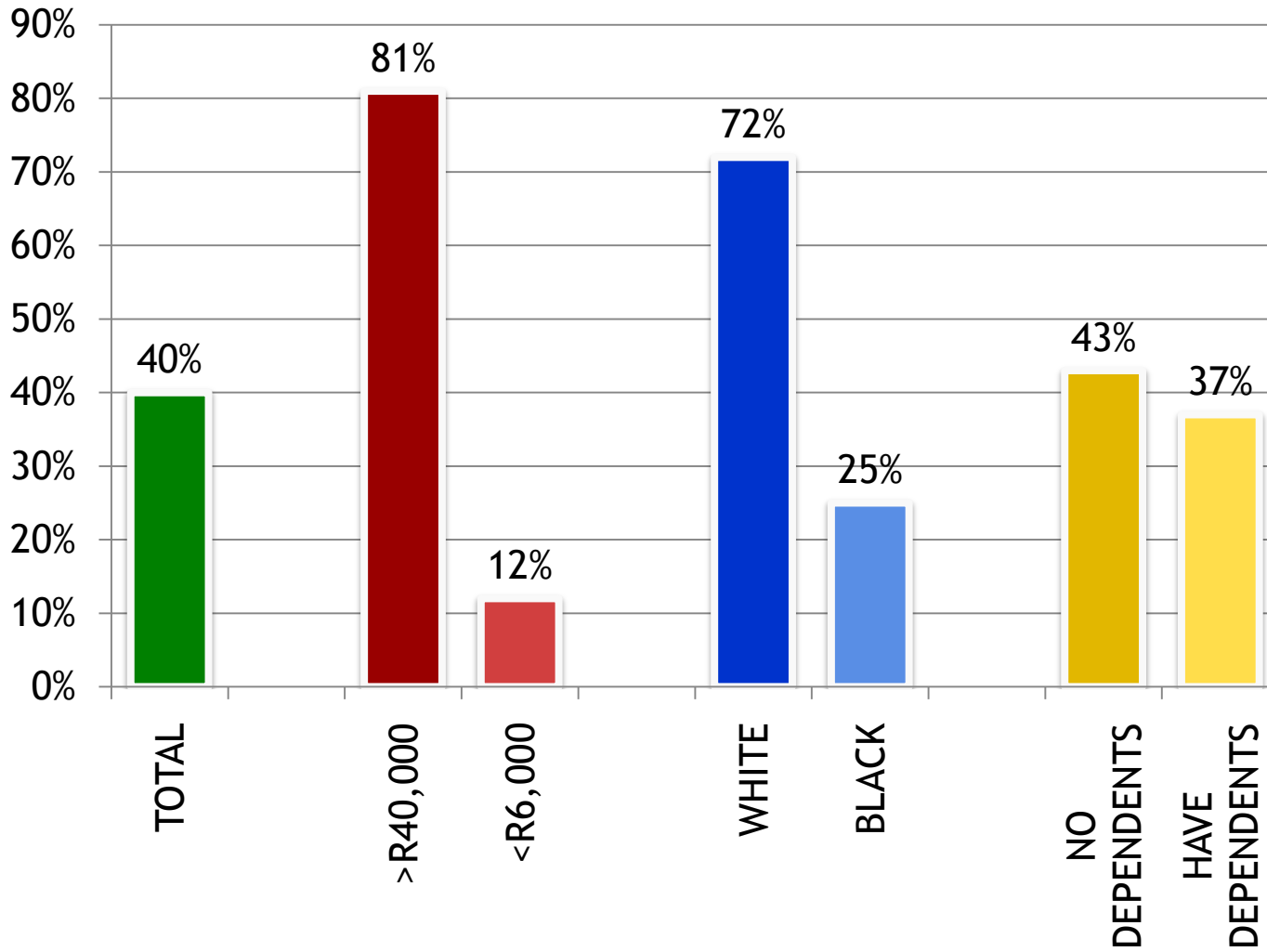
## EDUCATION POLICIES (Filtered by 'with dependents')



# MEDICAL AID / INSURANCE

- 2 out of 5 households have medical aid cover
- Medical Aid shows a very strong income skew with 8 out of 10 of high income households enjoying cover vs. 1 out of 10 of low income households
- Ethnicity also shows a high correlation, with three-quarters of white households vs. one-quarter of Black households enjoying medical aid protection
- Surprisingly, having dependents has little effect on medical aid behaviour and households without dependents actually have a slightly higher incidence of medical aid cover

## MEDICAL AID / INSURANCE

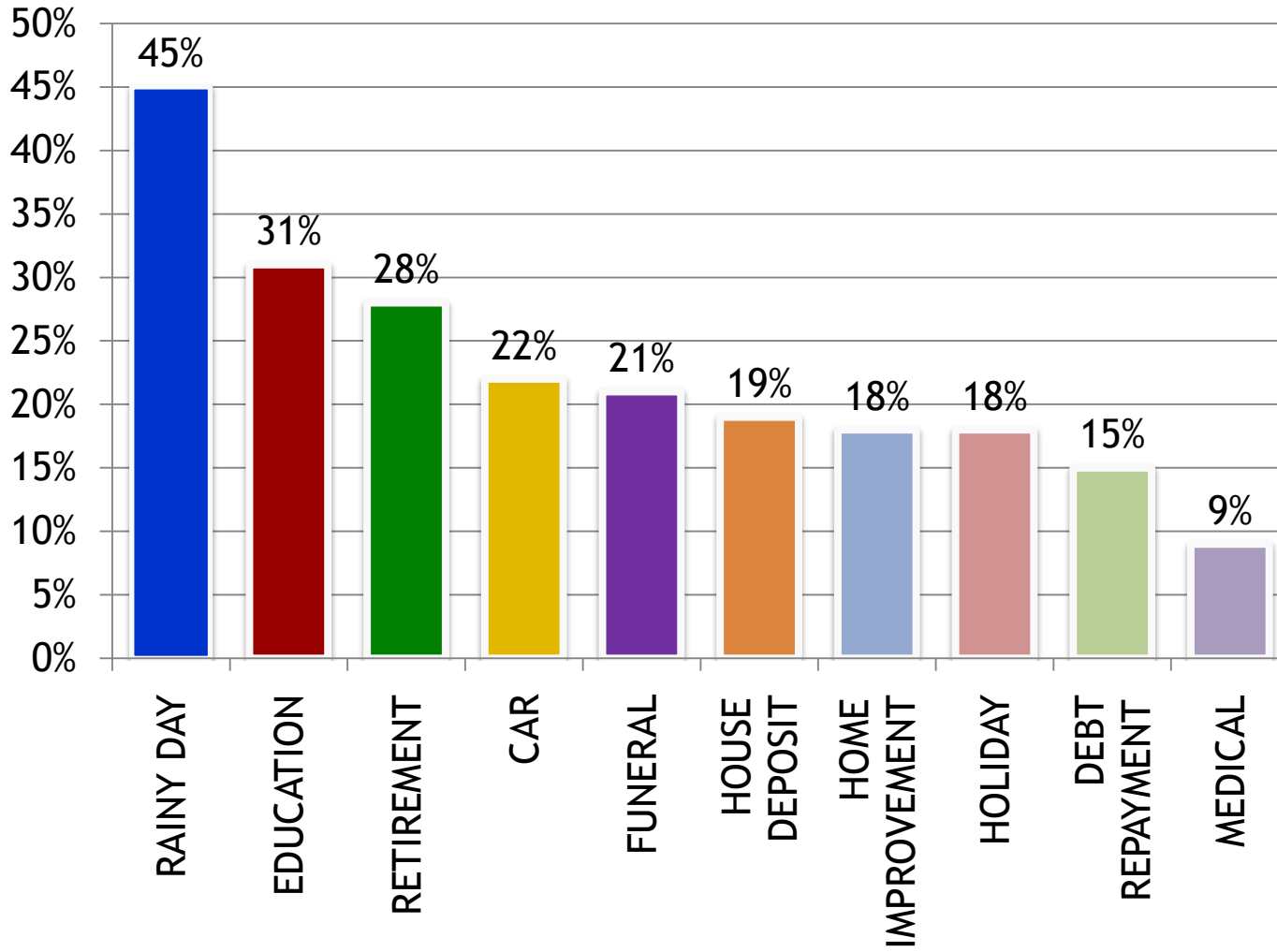


# WHAT ARE SOUTH AFRICANS SAVING FOR?

# RAINY DAY

- Almost half of South Africans are saving for an unplanned emergency or 'Rainy Day'
- The second biggest savings focus is Education, with a third of households putting something aside for this investment in the future
- While holidays, debt repayments and medical savings are taking more of a back seat

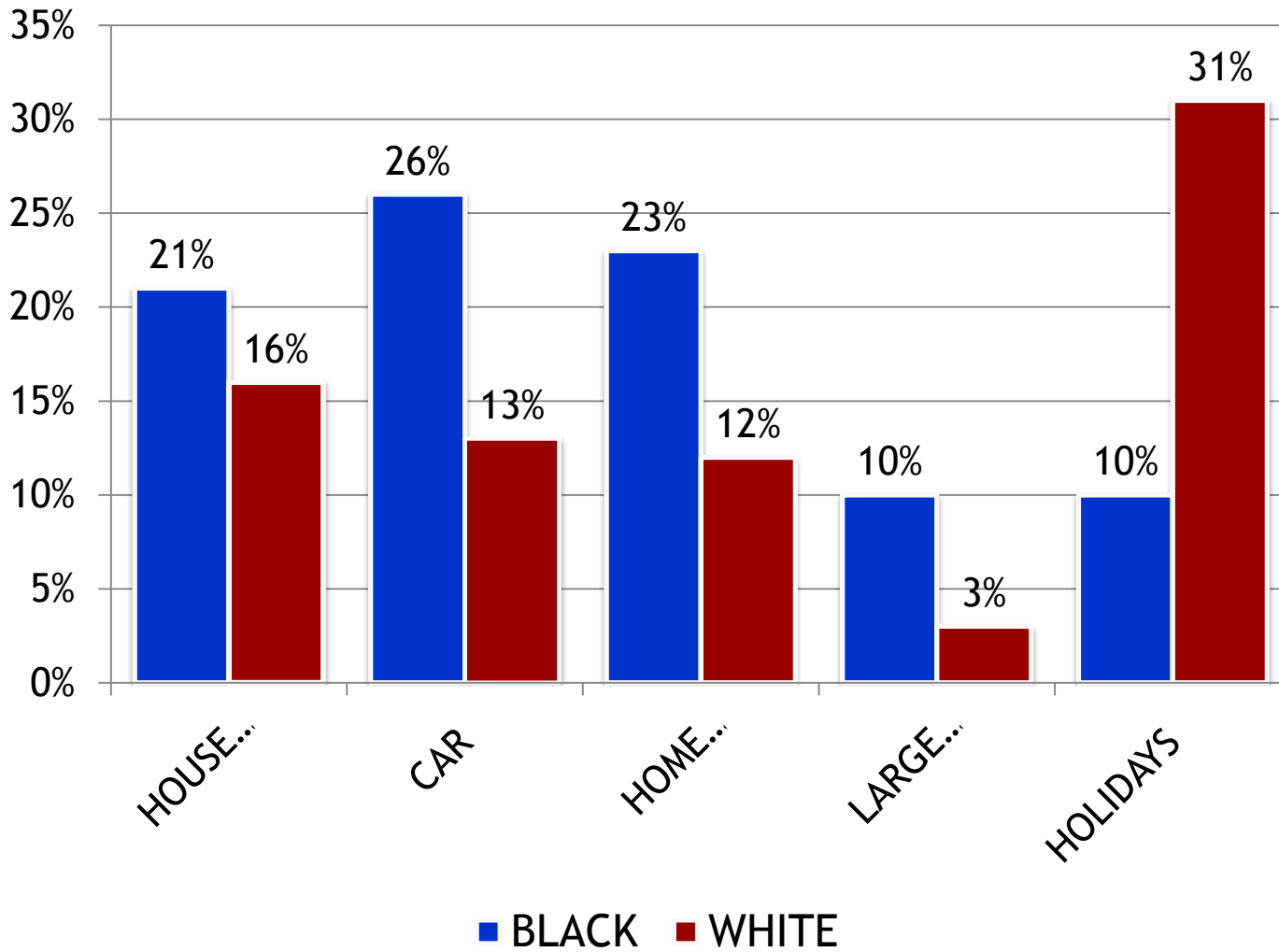
## REASONS FOR SAVING



# SAVING TO FINANCE ASSETS

- A very interesting pattern emerges when we look at savings to finance assets
- Black consumers are on average twice as likely to be saving to put down a deposit on a house, to buy a car, to buy large appliances or to improve their home, than White consumers
- The need to finance assets is likely to be one of the reasons why Black consumers are more exposed in terms of other savings areas like retirement and medical aid
- Whereas White consumers have the freedom to save for more discretionary needs, for example, 31% of White Households are saving for a Holiday vs. only 10% of Black Households

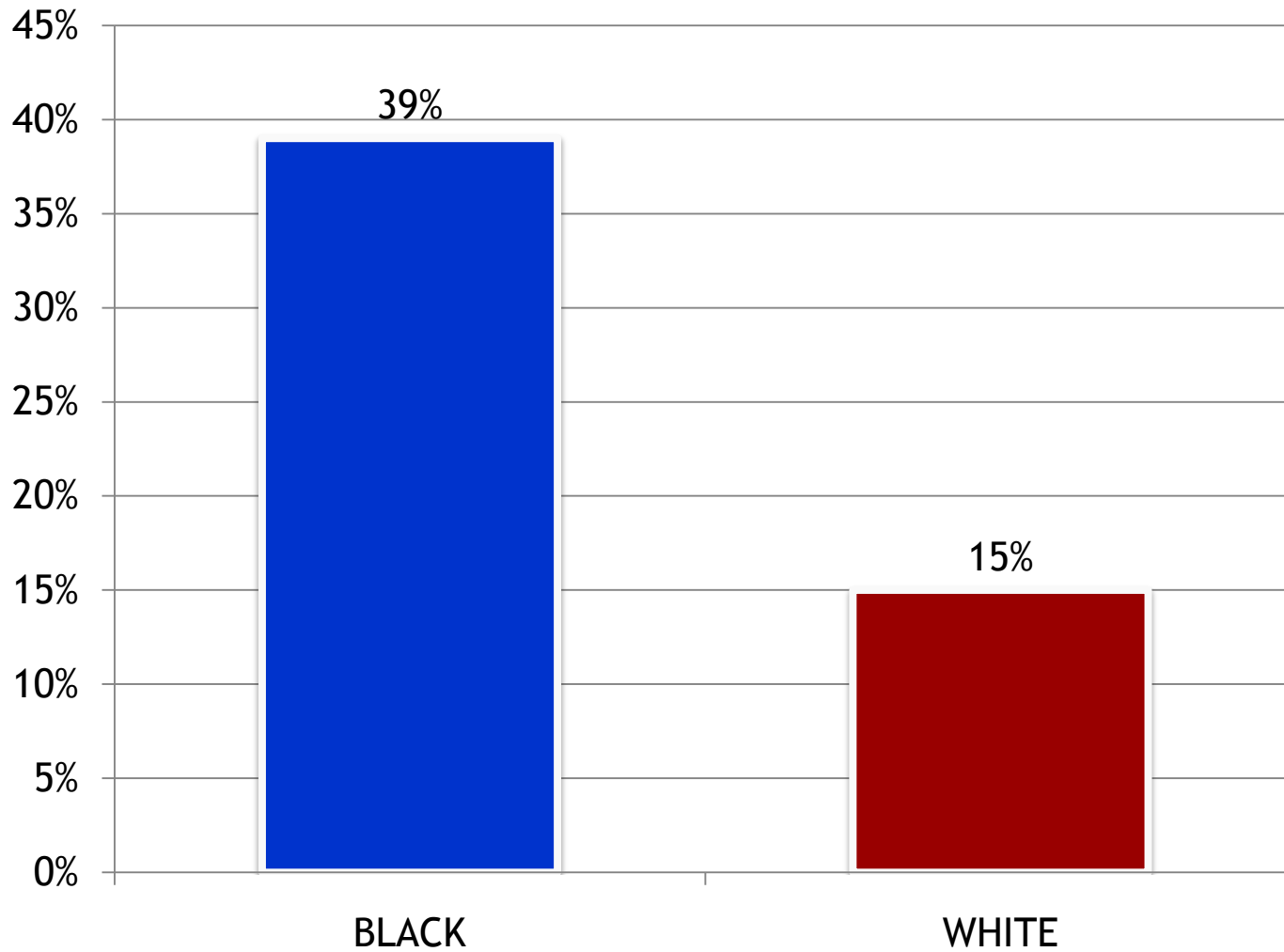
## BLACK VS. WHITE SAVINGS ALLOCATION



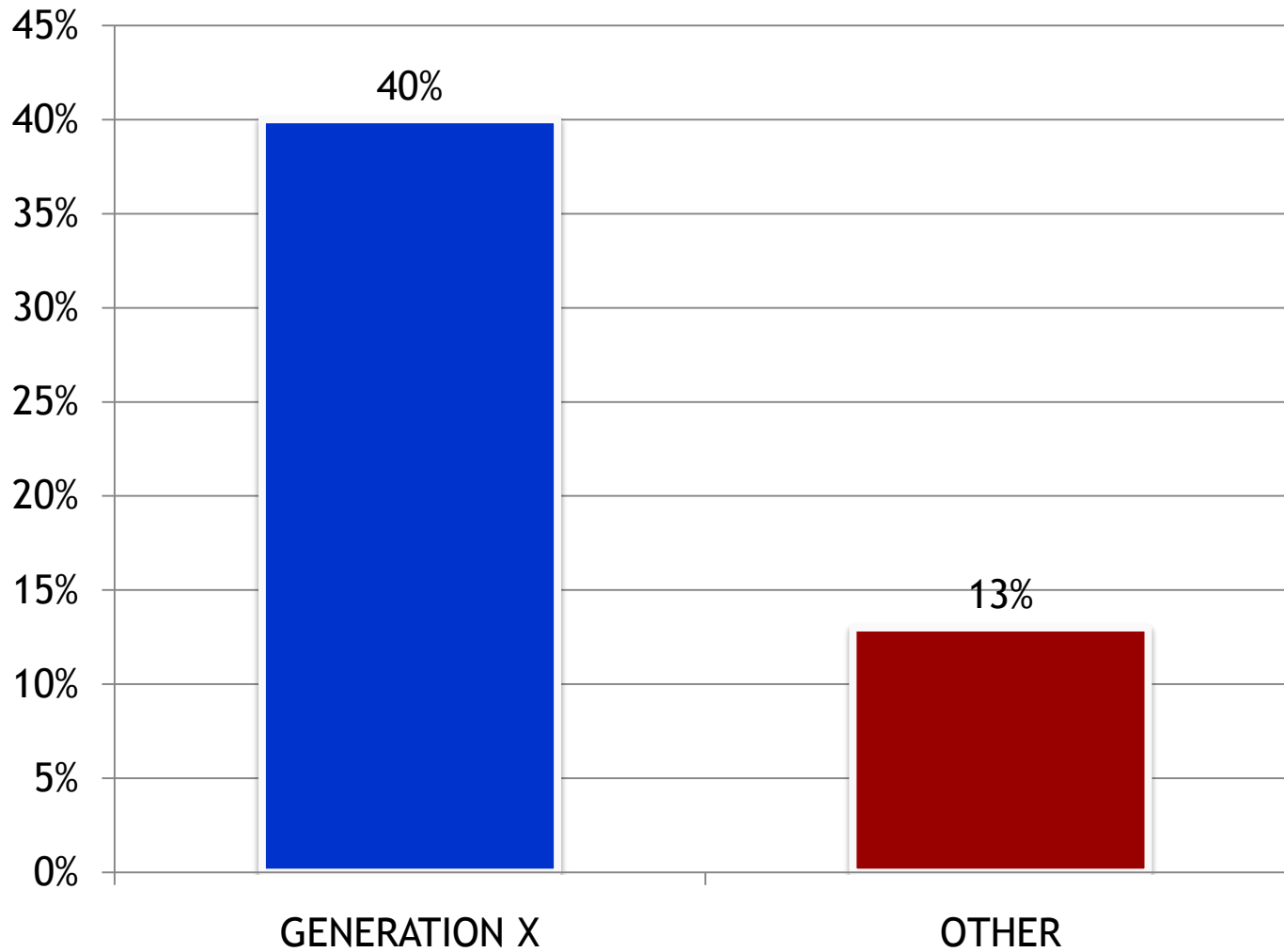
# SAVING FOR EDUCATION

- As with assets, Black consumers are almost 3 times more likely than White consumers to be saving for education
- Generation X shows a marked skew towards education savings, with 40% saving for education vs. an average of 15% for other generations
- This is likely to be one of the contributing factors why Generation X, especially people aged 36-39, have taken such a big hit in terms of saving less this year

## SAVING FOR EDUCATION



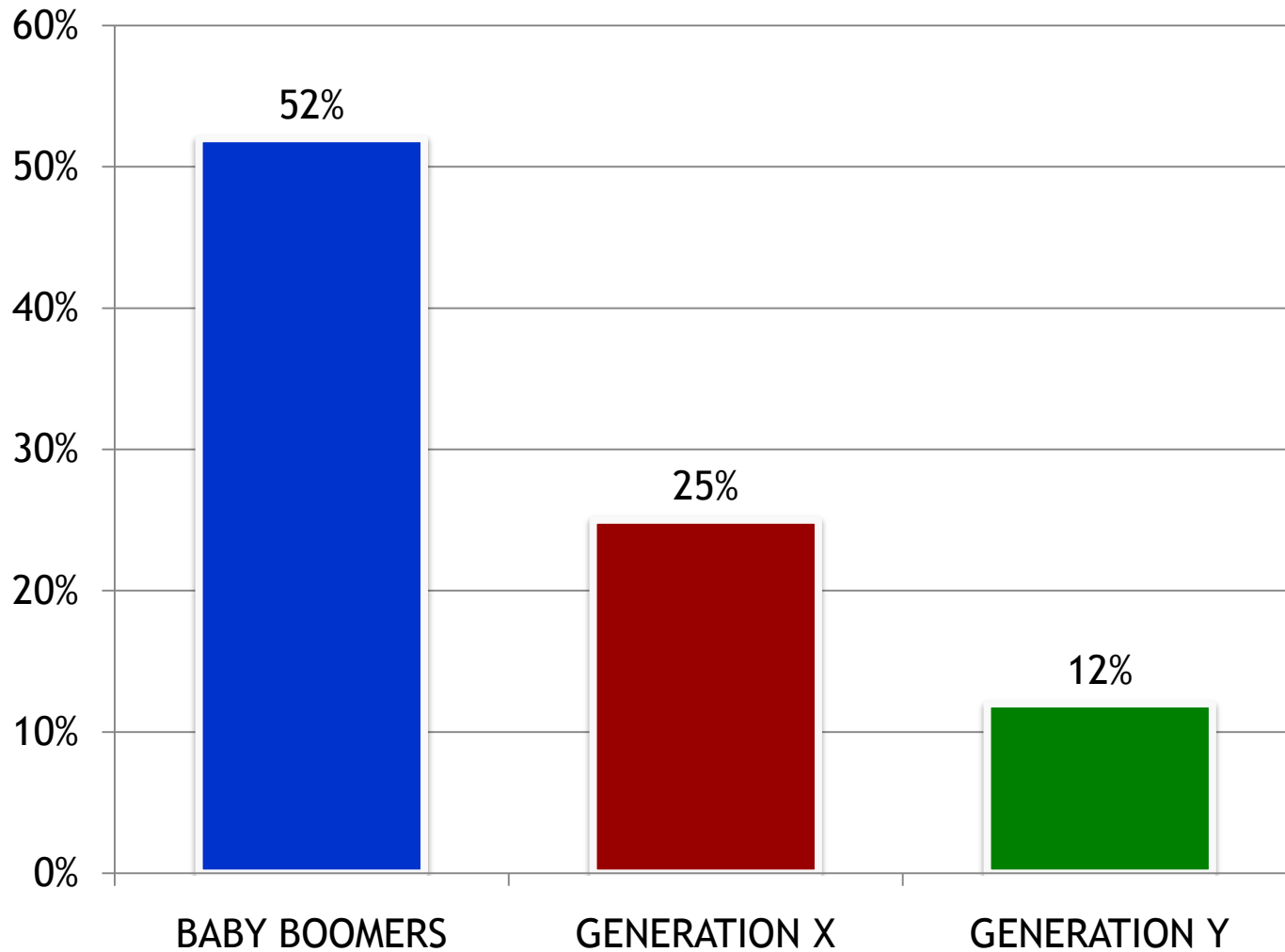
## SAVING FOR EDUCATION



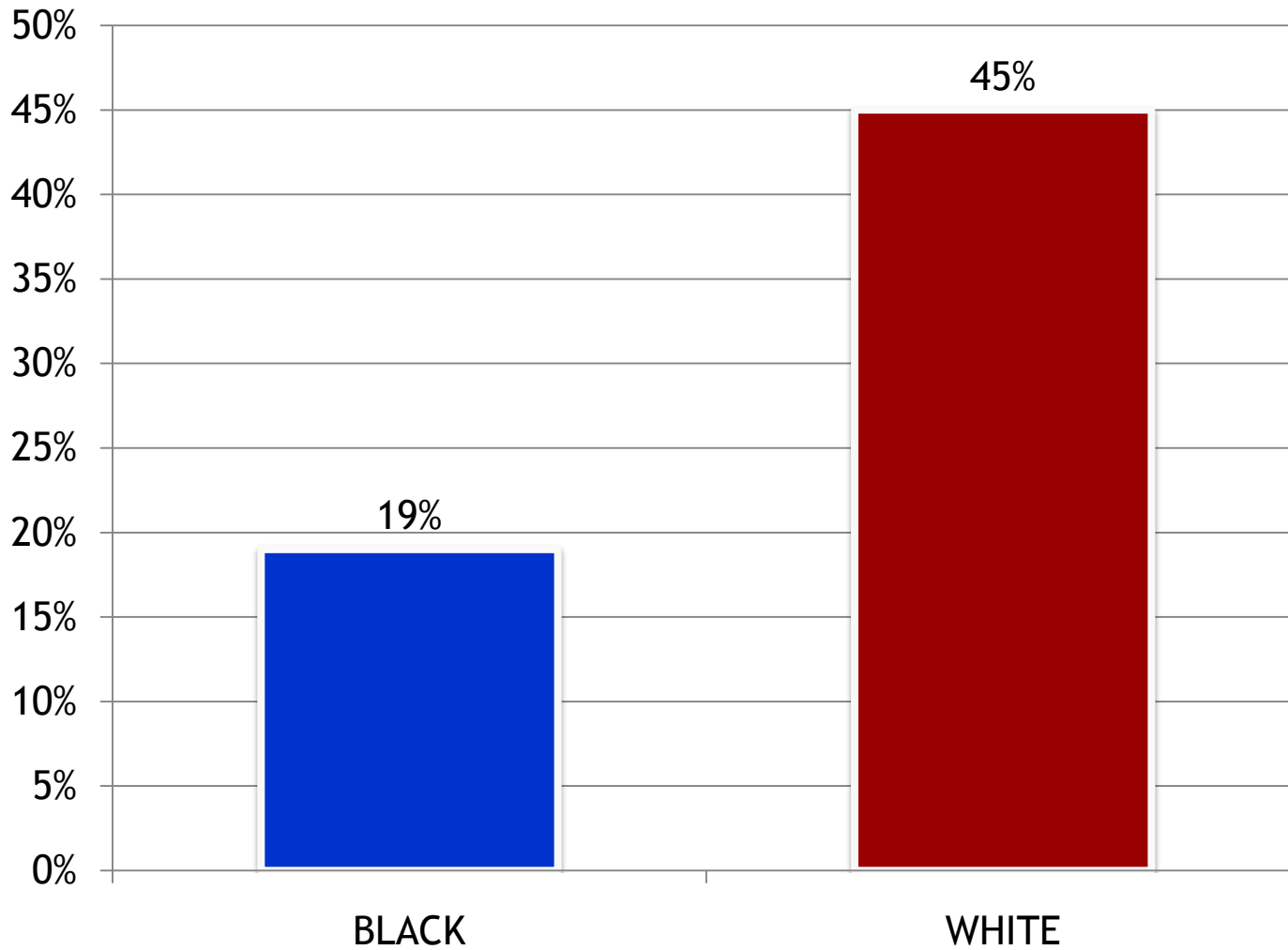
# SAVING FOR RETIREMENT

- When it comes to retirement almost half of White Households are saving for retirement vs. only 1 out of 5 Black Households
- It is also clear that South Africans wait too long to start saving up for retirement
- Of the people approaching retirement age, only half have some form of retirement savings

## SAVING FOR RETIREMENT



## SAVING FOR RETIREMENT

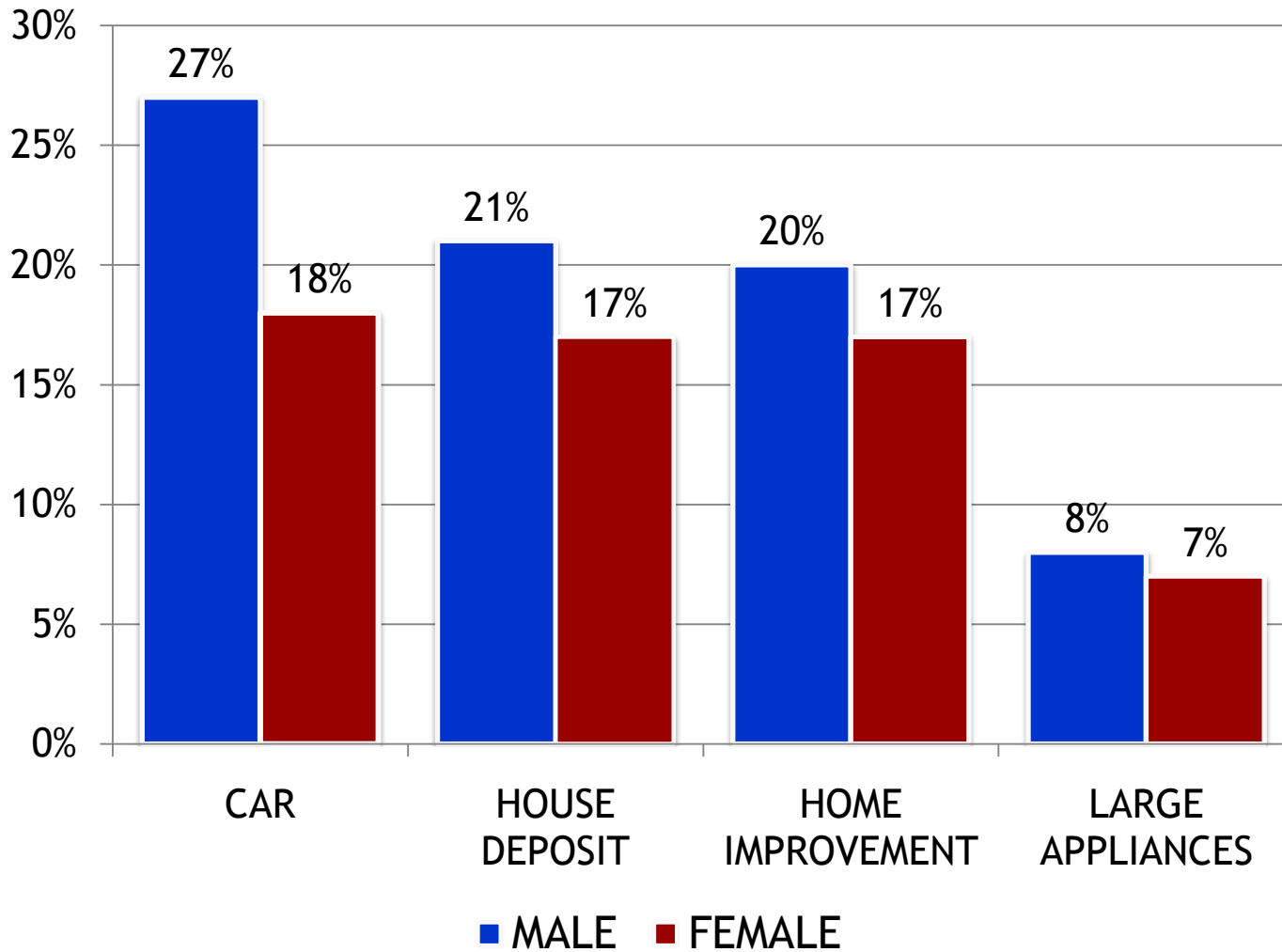


# WHAT DO MEN AND WOMEN SAVE FOR?

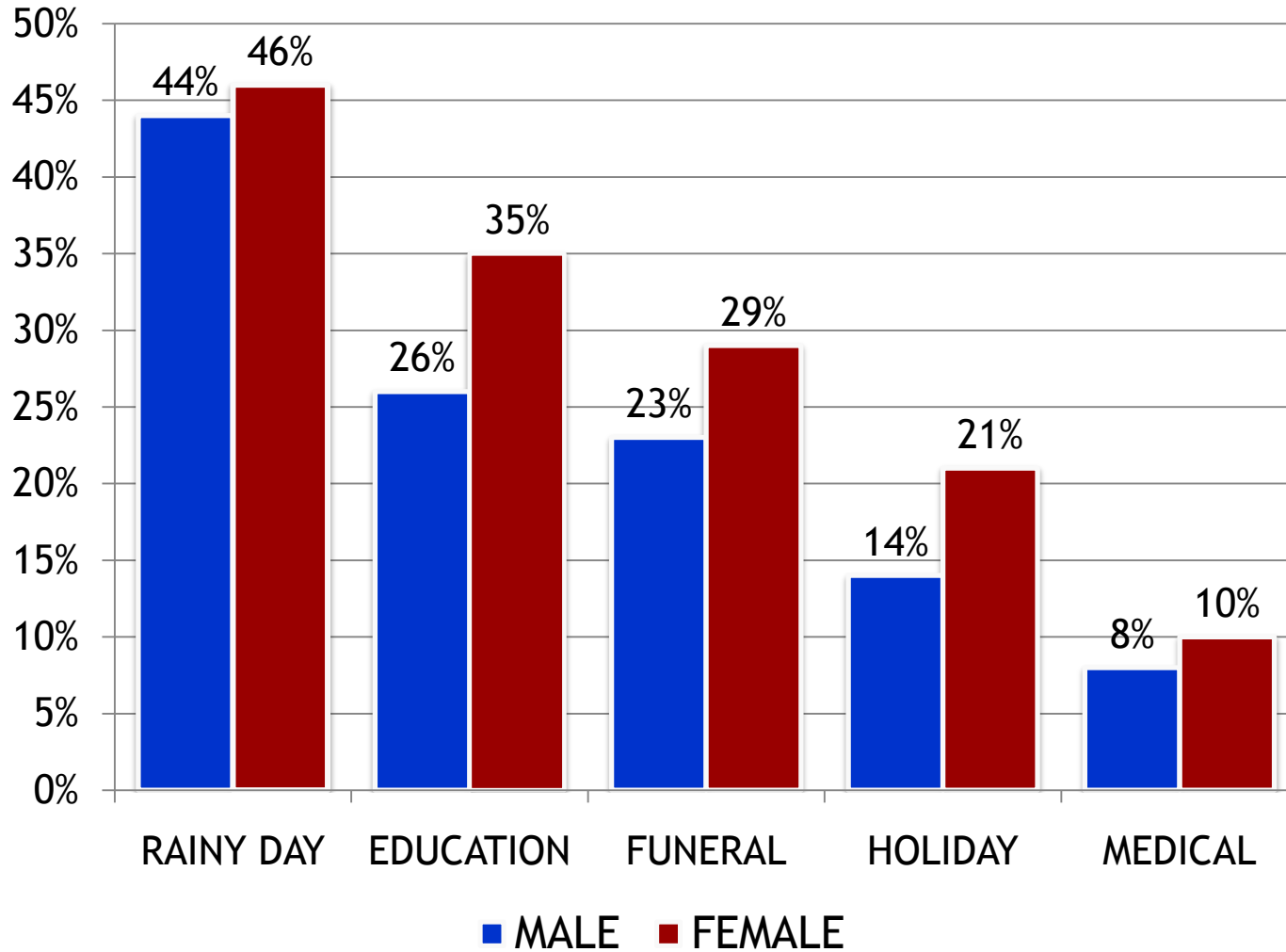


- A subtle, but interesting pattern emerges when we look at the savings behaviour of men vs. women
- Men tend to save more for assets like homes, cars and appliances
- While women show more affinity for more 'socially orientated' savings like education, funeral, holiday and medical needs

## MALE VS. FEMALE SAVINGS ALLOCATIONS



## MALE VS. FEMALE SAVINGS ALLOCATIONS



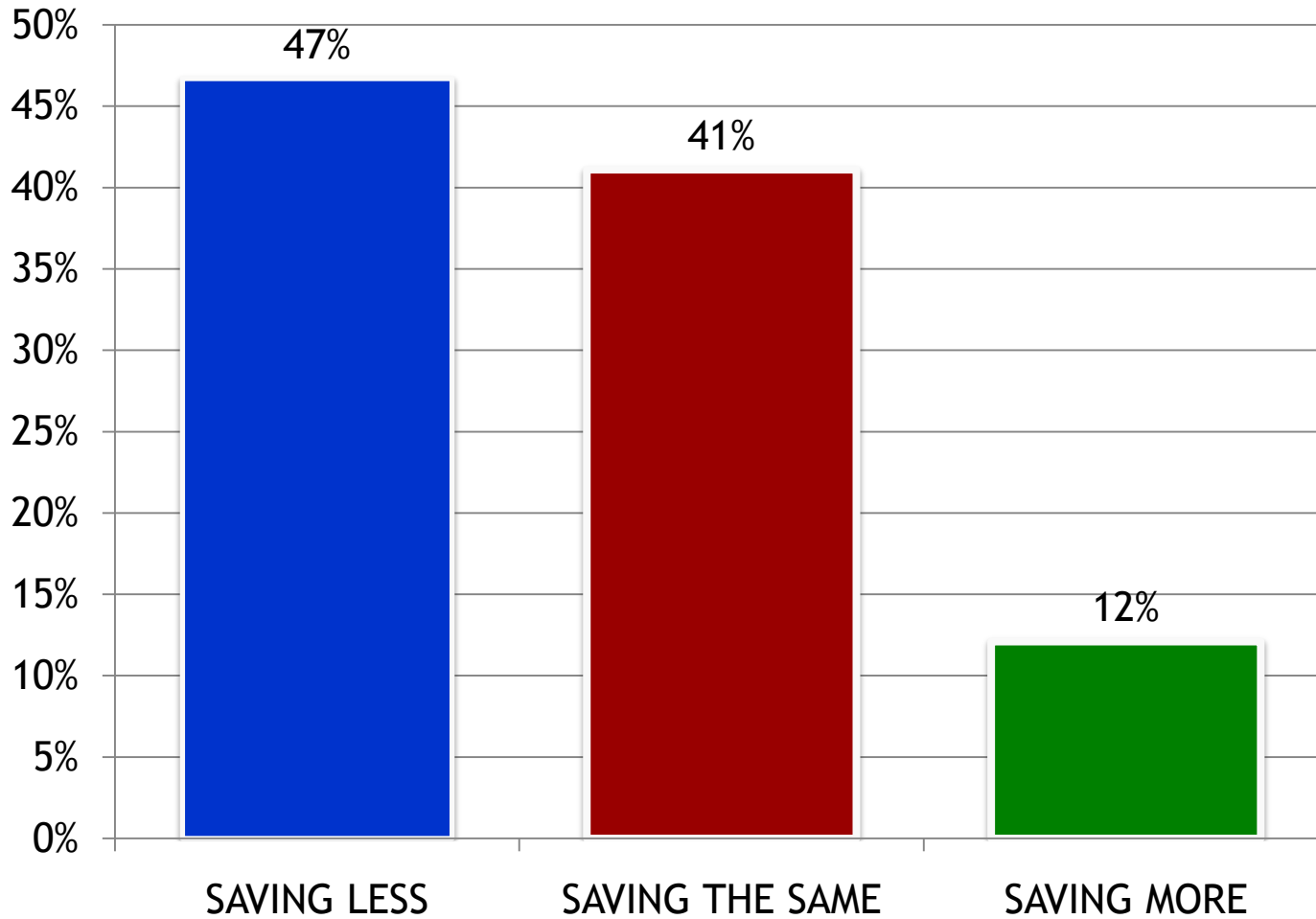
# GENERATION Y OVERVIEW

(born after 1980)

# GENERATION Y: SAVINGS COMPARED TO A YEAR AGO

- Almost half of Generation Y are saving less now compared to a year ago ...
- However they do perform better than Generation X and Baby Boomers, with 12% saving more, versus the national average of 9%

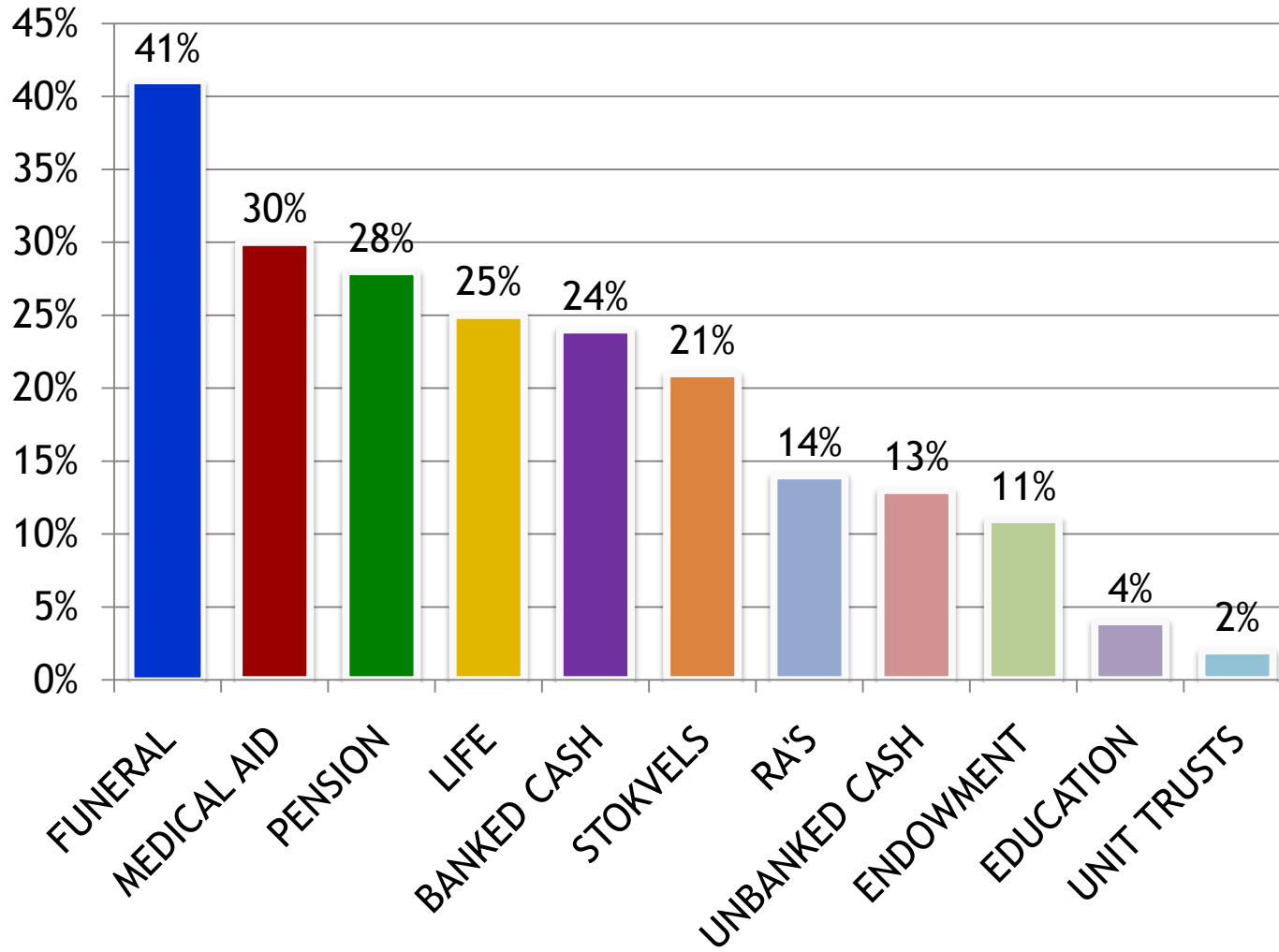
## GENERATION Y SAVINGS COMPARED TO A YEAR AGO



# GENERATION Y: SAVINGS VEHICLE

- There are no significant differences in the ranking of Generation Y savings vehicles compared to the total population
- Though overall Generation Y make relatively less use of formal savings vehicles

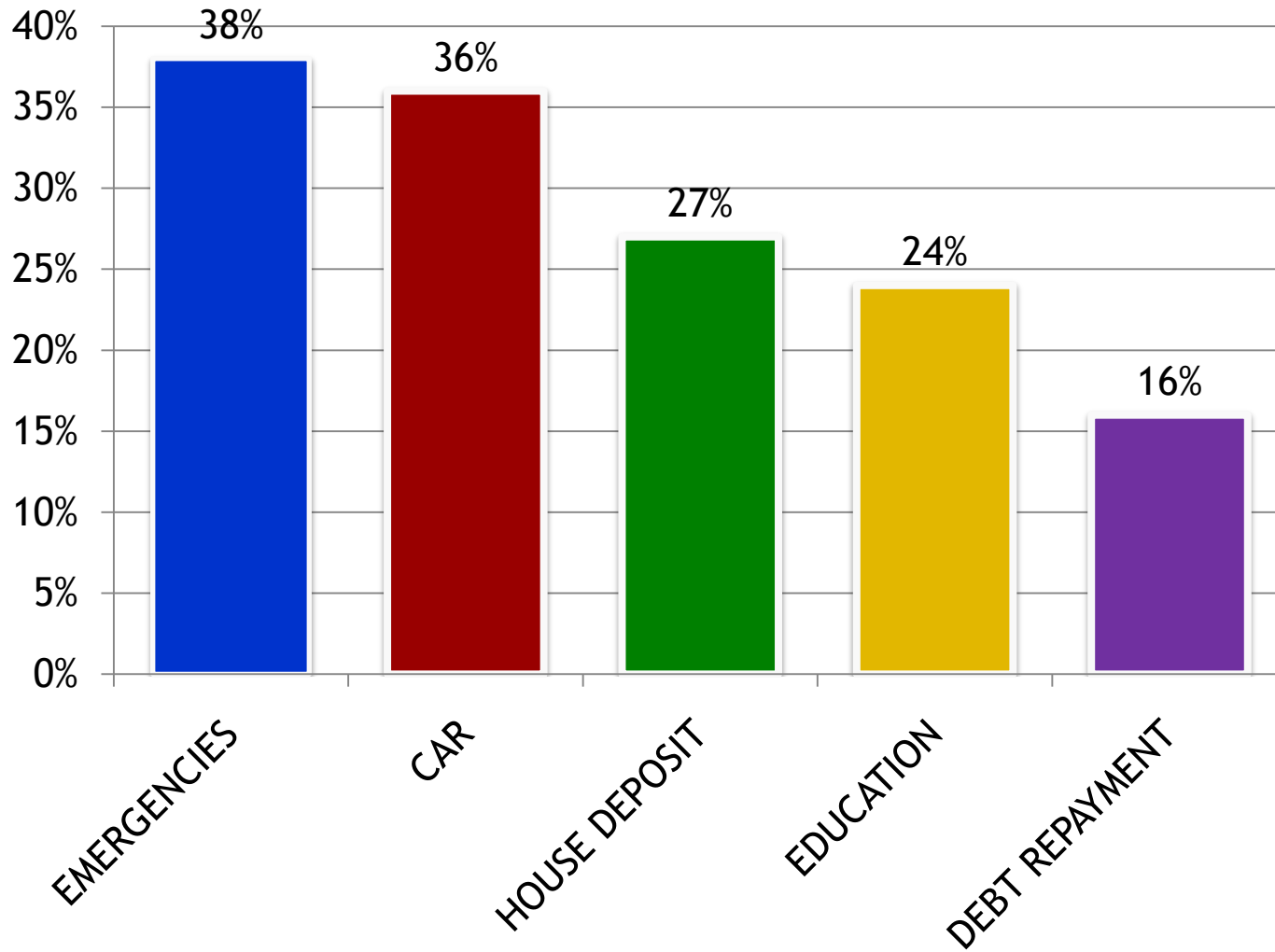
## GENERATION Y: SAVINGS VEHICLES



# GENERATION Y: SAVING FOR

- Compared to Generation X & Baby Boomers, Generation Y are more likely to be saving to finance assets like home and car
- Saving for education and to pay-off debt also features in Generation Y's Top 5 list

## GENERATION Y: TOP 5 REASONS FOR SAVING

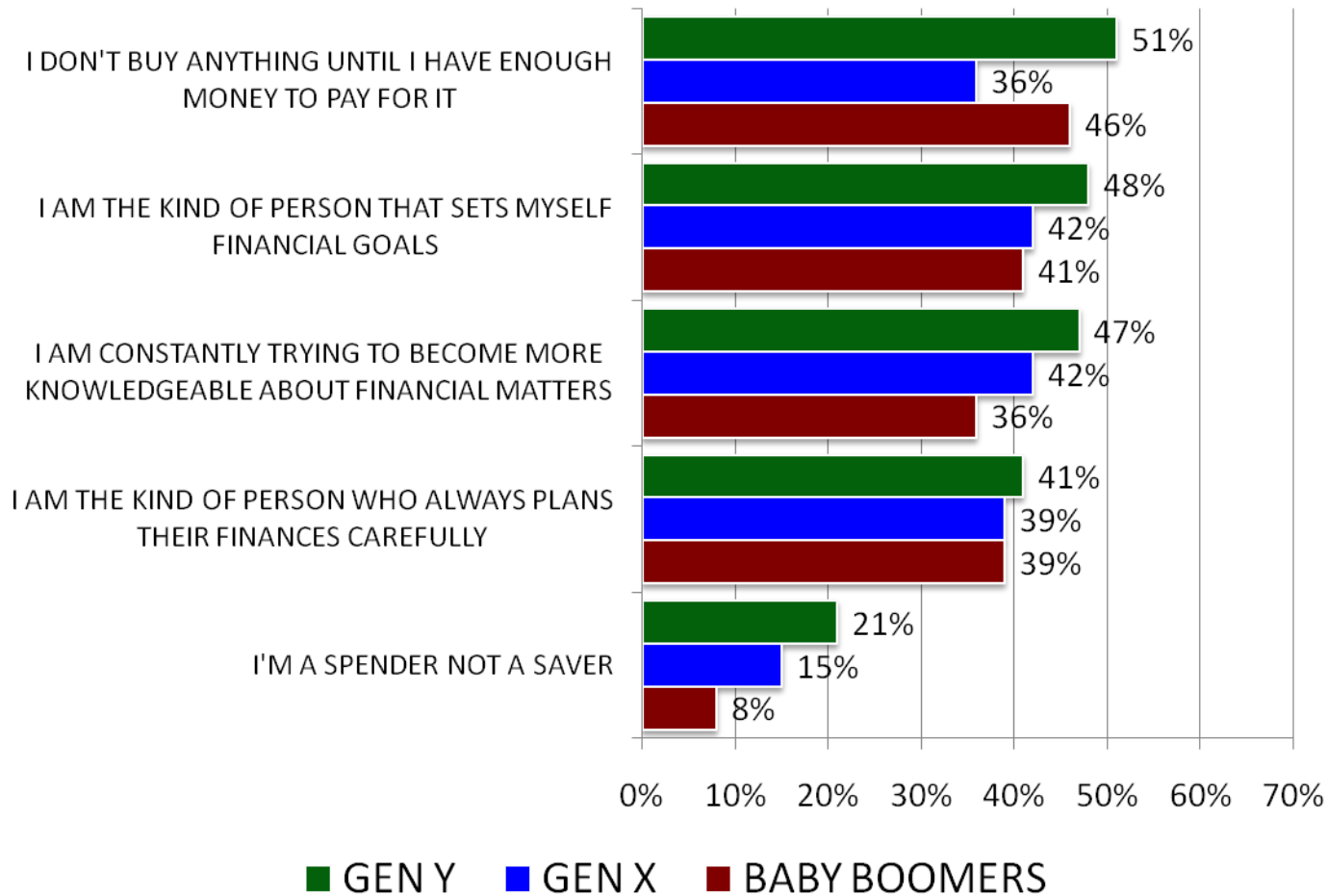


# GENERATION Y: ATTITUDES TOWARDS SAVING



- People often complain about 'the youth of today' being materialistic with a 'live for today' attitude
- But Generation Y's attitude to savings is quite positive compared to older generations
- While they admit they prefer to spend rather than to save ...
- They have relatively positive attitudes towards financial knowledge, planning and discipline

## GENERATION Y: ATTITUDES TOWARDS SAVINGS



**GENERATION Y**  
**A.K.A**  
**‘GENERATION HOPE’?**

# SAVINGS TYPOLOGIES

# SAVINGS TYPOLOGIES

- An analysis based on attitudes and savings behaviour produced a clear savings continuum, with 3 core segments
- Our cluster analysis shows the biggest drivers of good saving behaviour are attitudes to planning

# SAVINGS CONTINUUM

**PANICKED  
PROCRASTINATORS**

**SAVE LITTLE**

**CONTENTED  
ORGANIZERS**

**SAVE A LOT**



**STRESSED & WORRIED  
IMPULSIVE  
MATERIALISTIC / 'NEVER ENOUGH'  
DISORGANIZED  
SOMEONE ELSE'S PROBLEM / FAULT**

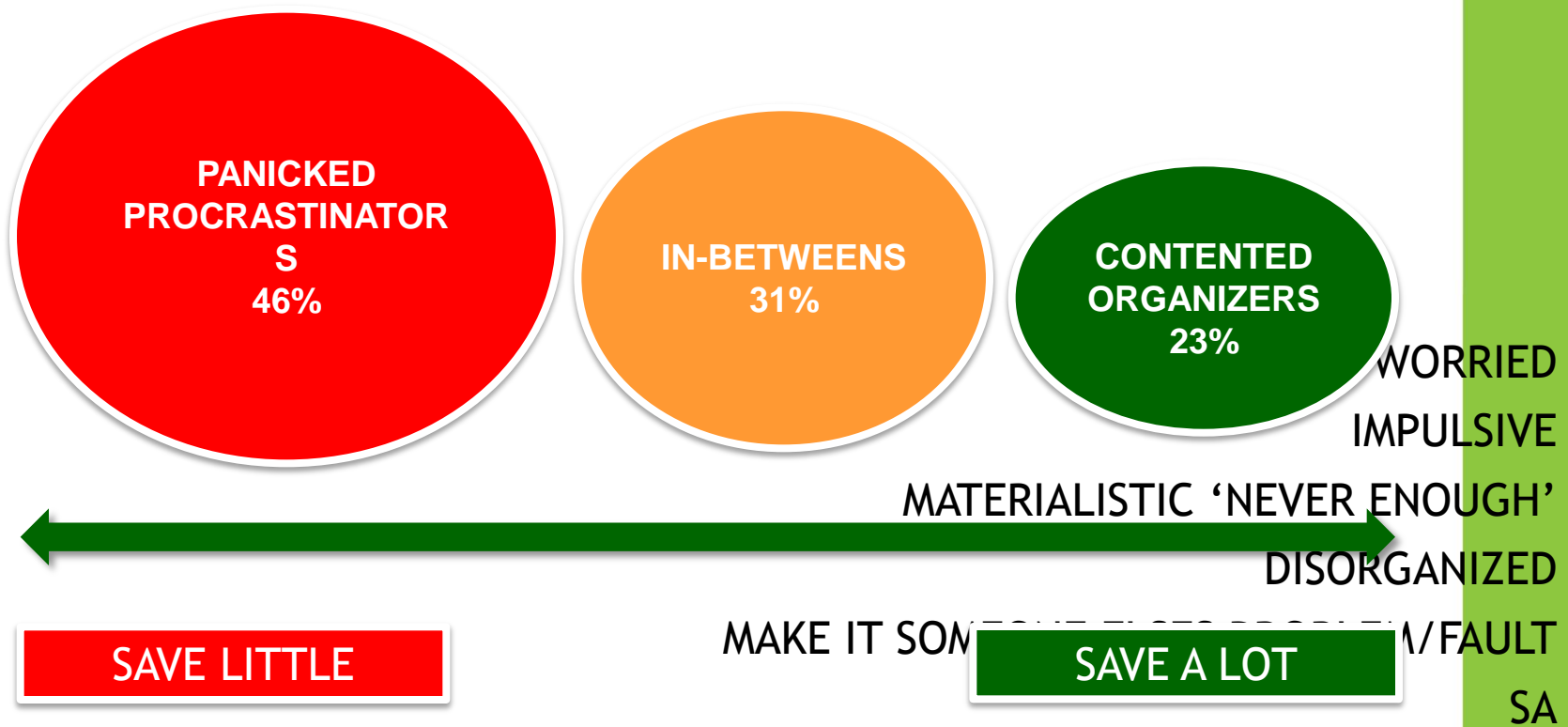
**HAPPY & CONTENT  
CAUTIOUS & CONTROLLING  
SECURE  
VERY ORGANIZED  
TAKE RESPONSIBILITY**

STRESSED & WORRIED

IMPULSIVE  
'NEVER ENOUGH'  
DISORGANIZED  
SOMEONE ELSE'S PROBLEM / FAULT  
TAKE RESPONSIBILITY

SA

# SAVINGS CONTINUUM



# KEY INSIGHT

- A recognition of the need to save does not necessarily result in savings behaviour
- Nor does the fear of not having enough
- What does seem to drive behaviour is attitudes to organisation, planning and financial knowledge seeking
- A sense of optimism also helps!

# KEY INSIGHT

“PEOPLE DON’T PLAN TO FAIL  
RATHER THEY FAIL TO PLAN”

THANK YOU

