

## 5th Edition

### Old Mutual Savings & Investment Monitor

November 2011

The Old Mutual Savings & Investment Monitor  
is a **bi-annual survey** of metro working  
South African **savings behaviour & attitudes**



- Tracking study to look at trends
- 1000 working metro households
- Face-to-face interviews
- Conducted by independent research house, Peppercorn Research
- 95% confidence level with confidence interval of 3.1%

- Are South Africans saving more, less than a year ago?
- How do South Africans feel about their current financial situation? What is driving this?
- Are there any shifts in savings/investment vehicles used?
- What about dependency?
- Update on the Sandwich Generation

## Special Features

- Saving for Education
- Stokvels/Savings & Investment Clubs

# Definition of Savings & Investments

## Savings & Investments

Putting money  
away into savings  
accounts, policies  
and investments

Holding back on  
spending and using  
that money to pay  
debt faster, like  
putting extra into  
your home loan



# 2011 ... the year that is



General  
cost of living



Consumer Confidence Index  
has declined significantly



Talk of interest  
rate increase



Demand for residential  
property is down



Electricity



SA consumer inflation rate  
climbs to 6%

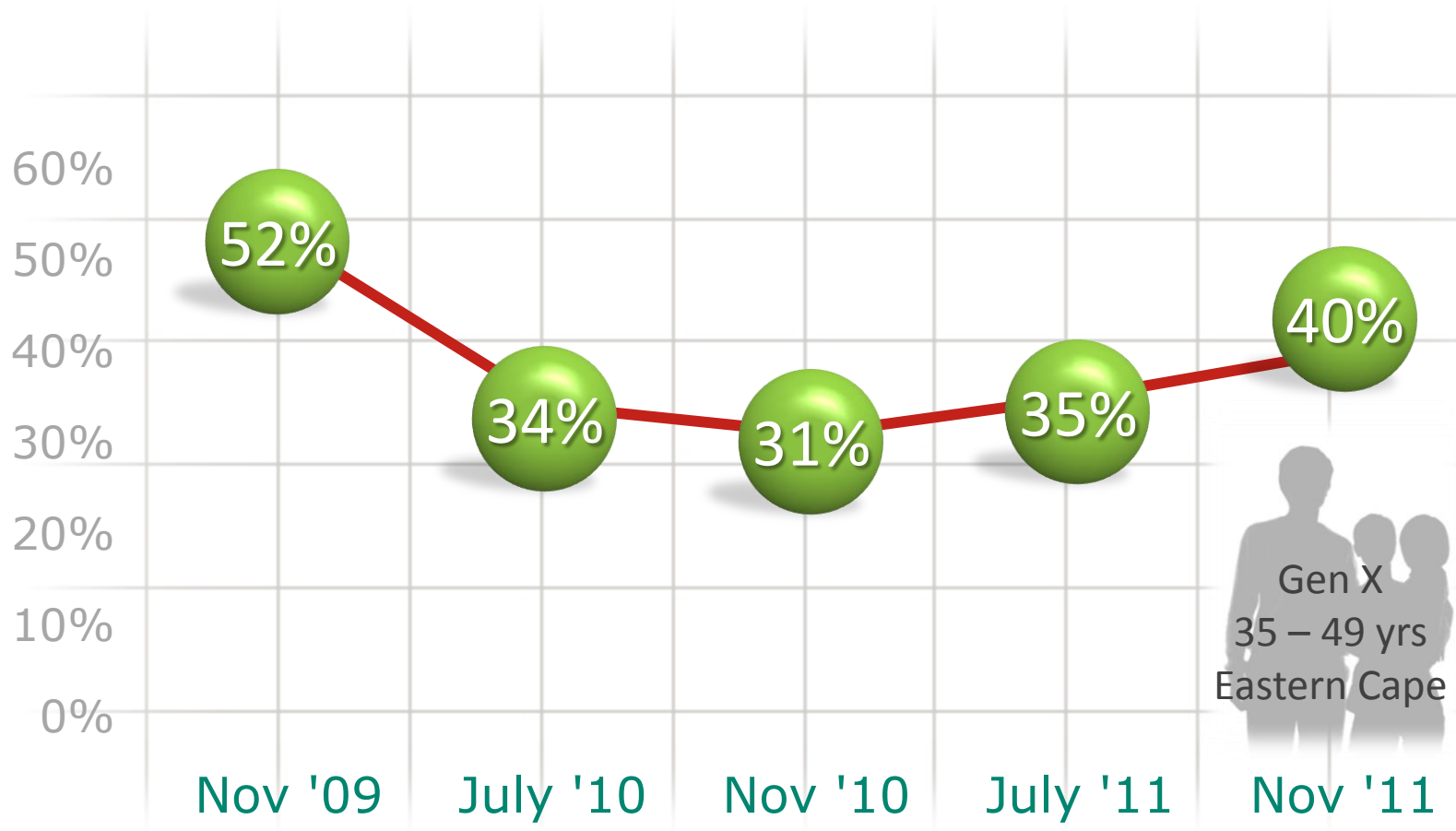


Dramatic petrol  
price increases



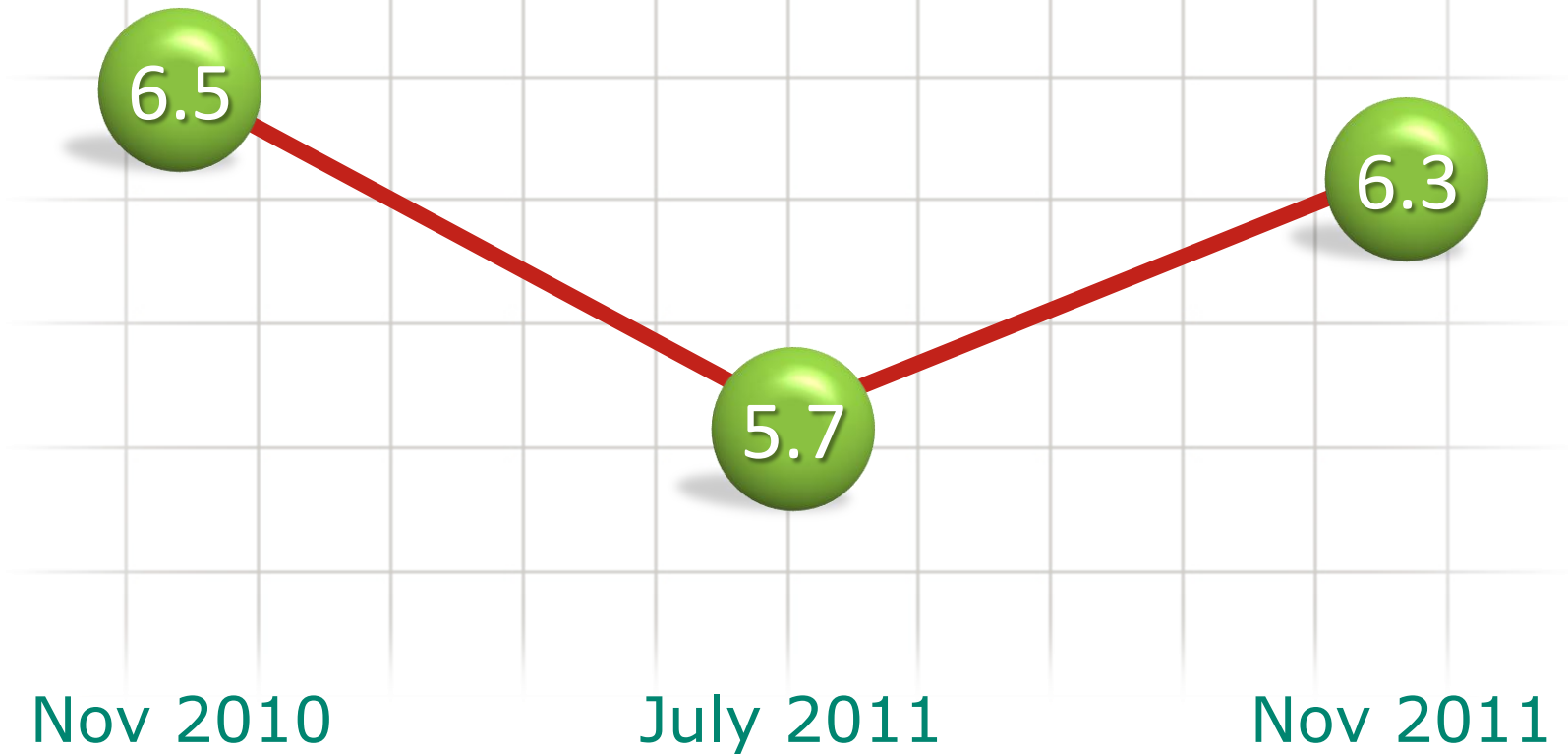
Rand volatility

# Saving less than a year ago



# 2011 ... Satisfaction with overall financial situation

MEAN SCORE OUT OF 10



# Satisfaction with current financial situation

R A T I N G   O U T   O F   1 0

1 - 4

5 - 6

7 - 8

9 - 10



Nov 2010

15%

32%

38%

14%

July 2011

27%

37%

28%

8%

Nov 2011

16%

35%

38%

11%

# Influence of the recession

JULY 2011



**82%**

Some influence

NOV 2011



**88%**

**38%**

Strong influence

**45%**



# What influence?

JULY 2011



**38%**

Cutting down /  
expense control

**48%**

Affordability  
pressure

**22%**

Saving and  
Investment mindset

NOV 2011



**59%**

**36%**

**29%**



# Global Consumer Buying Behaviour Trends



Shopping  
around



Research more,  
before buying



Trading  
down

# What South Africans are doing.....

*“Cut down on weekend trips because of the petrol increase. Don’t just buy anything, have to be cautious, can’t afford luxuries, use less electrical equipment, use gas stove to save on electricity consumption and use the shower instead of bathing”*

*“Save on takeaways, rather buy groceries which is much cheaper and we also changed to a cheaper car insurance”*

*“Most often, I walk to work to cut down on petrol”*

# What South Africans are doing.....

*"I avoid having too many debts and have stopped smoking because that had a great impact on my finances, used to spend R400 per month – this is the money I now spend on essential things"*

*"Take lift clubs to save on monthly petrol as it's too expensive. I no longer buy brand names which helps me save a lot. I use a smaller vehicle which is lighter on fuel"*

*"Sold my vehicle, using public transport"*

# The “reward” driven consumer

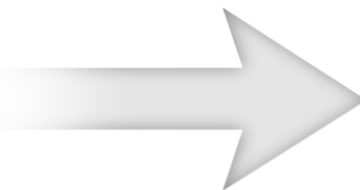


# From here to here . . . . .



July 2011

Panicked



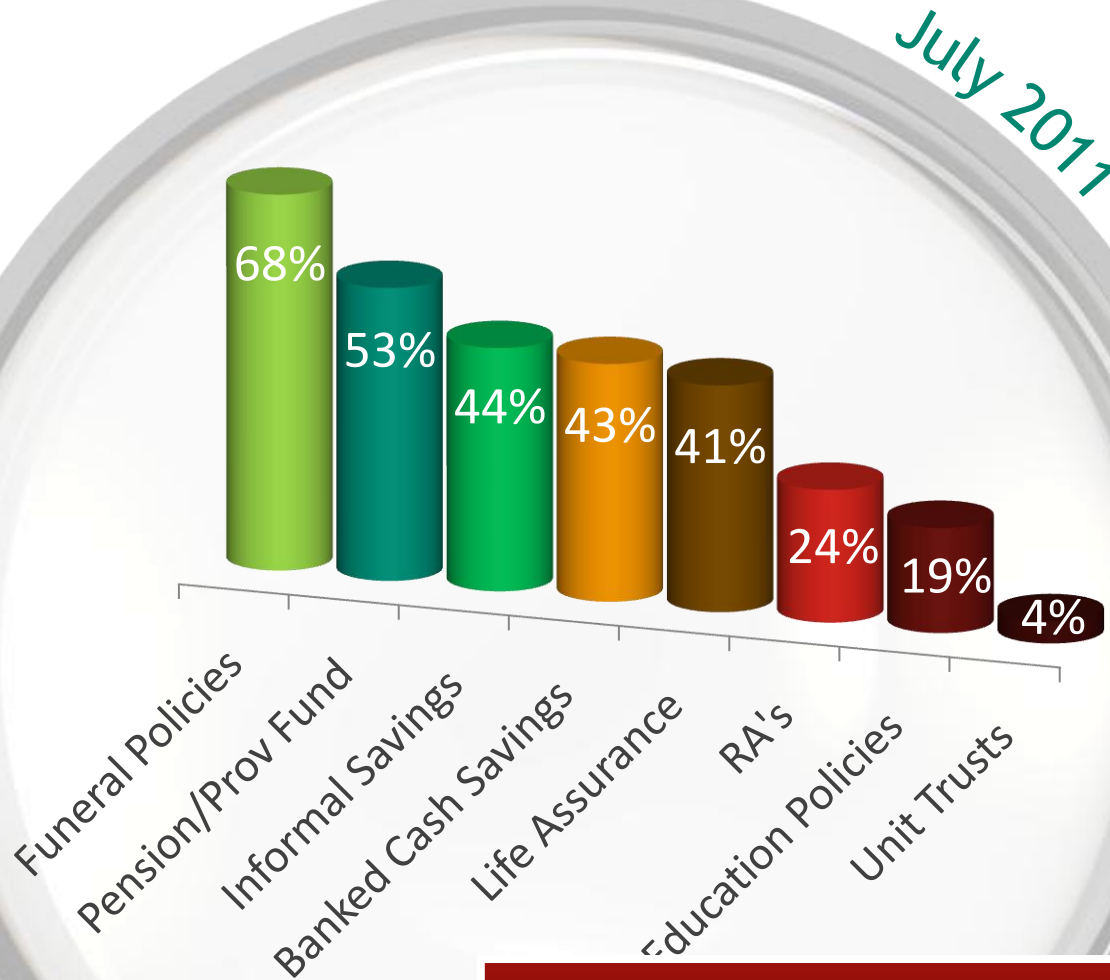
Nov2011

Managing better



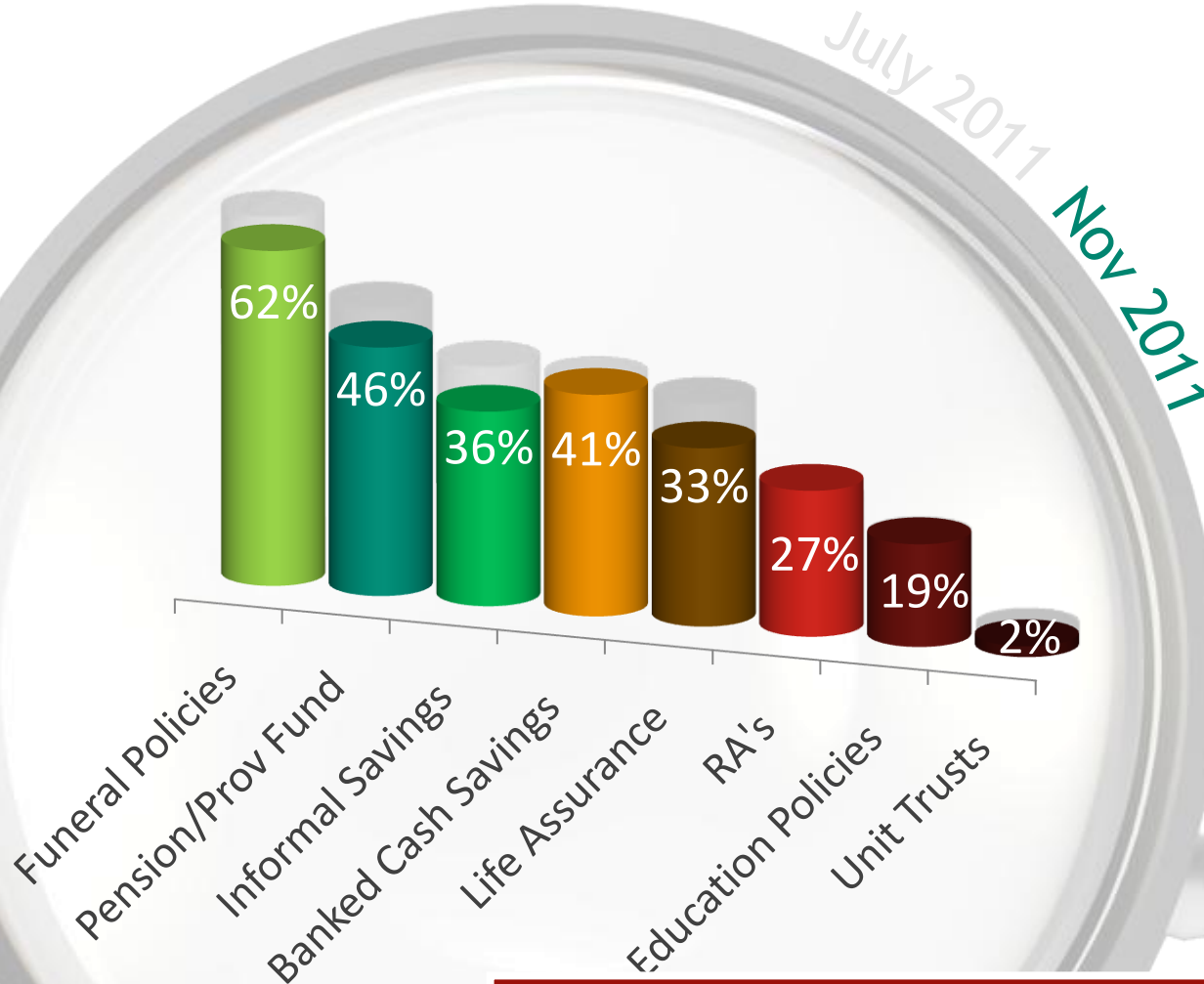
# Vehicles used for Saving and Investing

# Vehicles used for saving & investing (SA)



**38% have neither  
(pension/provident nor RA)**

# Vehicles used for saving & investing (SA)



45% have neither  
(pension/provident nor RA)

# Have neither Pension/Provident nor RA

Nov 2011

<b>Baby Boomers</b>	<b>39%</b>
<b>X Generation</b>	<b>40%</b>
<b>Y Generation</b>	<b>57%</b>

# Living in the “now”

*“Saving for the future is not a priority in my life right now”*

**Up from 26% in July 2011 to 35% in Nov 2011**



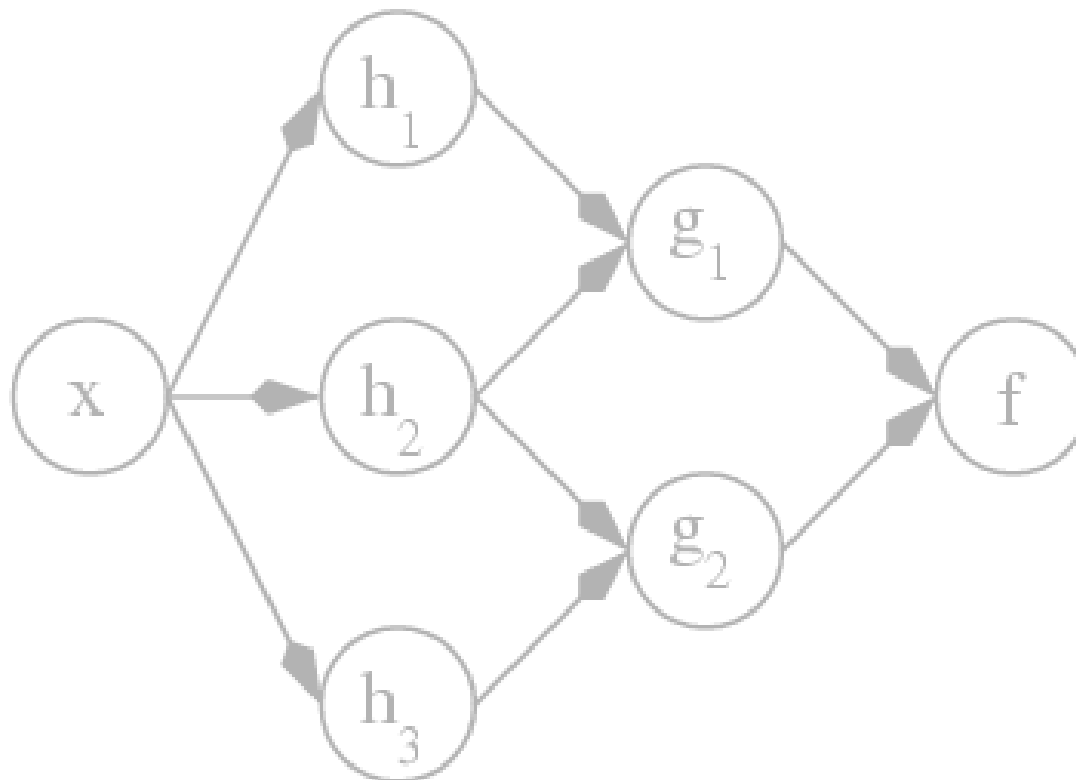
# Property as a retirement nest egg

*“Some people consider their home to be part of their savings for retirement. To what extent will you rely on, or are you thinking of relying on the value in your primary residence to fund your retirement?”*

<b>Will rely heavily</b>	<b>5%</b>
<b>Some extent</b>	<b>22%</b>
<b>Not at all</b>	<b>50%</b>
<b>Don't know</b>	<b>22%</b>



# Dependency





1 in 3 South Africans  
**still** believe that  
**their children** will  
take care of them  
when they are old

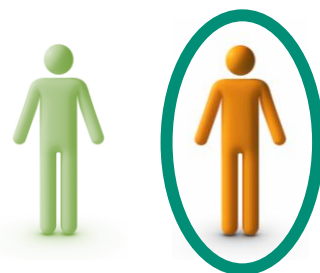




1 in 3 South Africans  
**still** believe that  
**the government** will  
take care of them if  
they are unable to take  
care of themselves



Baby Boomers	29%
Generation X	28%
Generation Y	32%



1 in 2 South Africans  
believe that **their children**  
and/or  
**the government** will  
take care of them if  
they are unable to take  
care of themselves





Incidence of having a **credit card** has dropped from 37% in July 2011 to 29% in Nov 2011



Incidence of having at least one **store card** has dropped marginally from 63% in July 2011 to 60% in Nov 2011

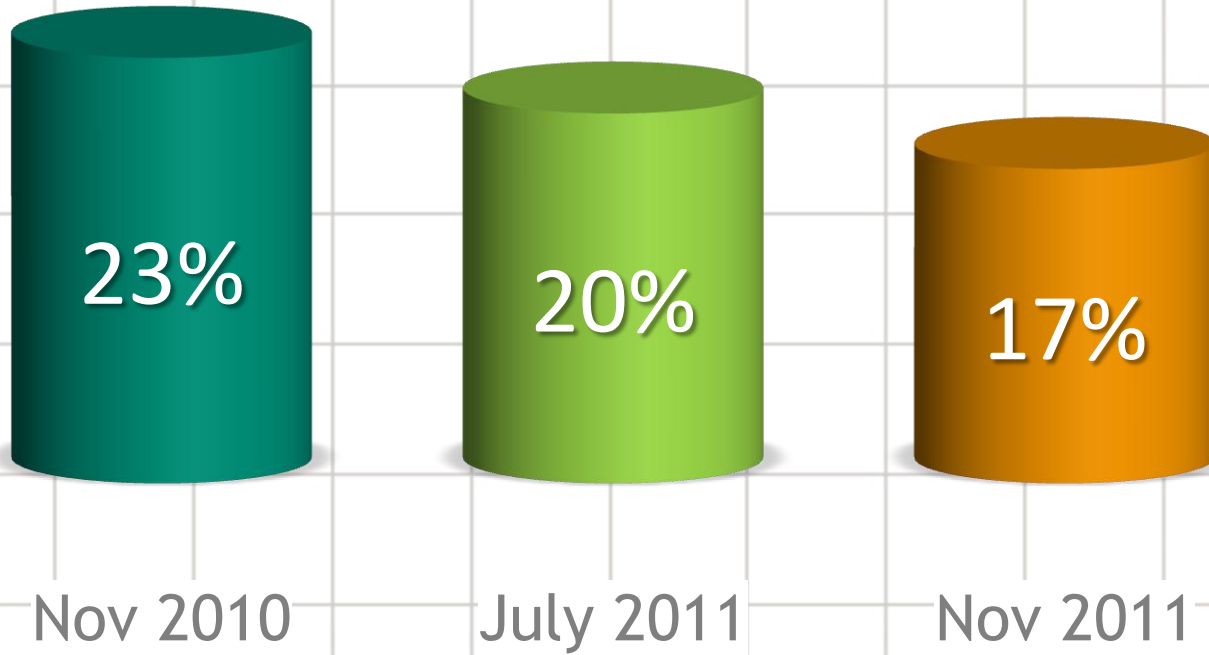


Incidence of having a **personal loan** from a financial institution has dropped from 19% in July 2011 to 11% in Nov 2011

# The Old Mutual Sandwich Generation Indicator



# Sandwich Generation



# Special Feature: Saving for education



# What are people saving for?

Saving for Education remains the most important savings objective



Children's  
education



Emergency  
expenses



Retirement /  
old age

# The importance of education

*“Saving for education is more important to me than saving for retirement”*



**54% agree**

Black	66%
White	23%
Generation Y	56%
Generation X	57%
Baby Boomers	44%

# Saving for Education?

% of those with dependent children who are saving for their education

**42%**

How are they saving?

**34% in bank**

**70% in education policies**

**6% other**

How much are they saving per month?

**R371**



# How much do you need to save?

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[Demonstration of Education Savings tool](#)

# Special Feature:

## Stokvels/savings & investment clubs



# Stokvels / savings & investment clubs

July 2011

Nov 2011

**Overall Black Households**

**48%**

**36%**

**Less than R6k pm HH**

**48%**

**31%**

**R6k – R13 999 pm HH**

**49%**

**38%**

**R14k – R19 999 pm HH**

**62%**

**47%**

**R20k – R40k pm HH**

**37%**

**37%**

**R40k+ pm HH**

**29%**

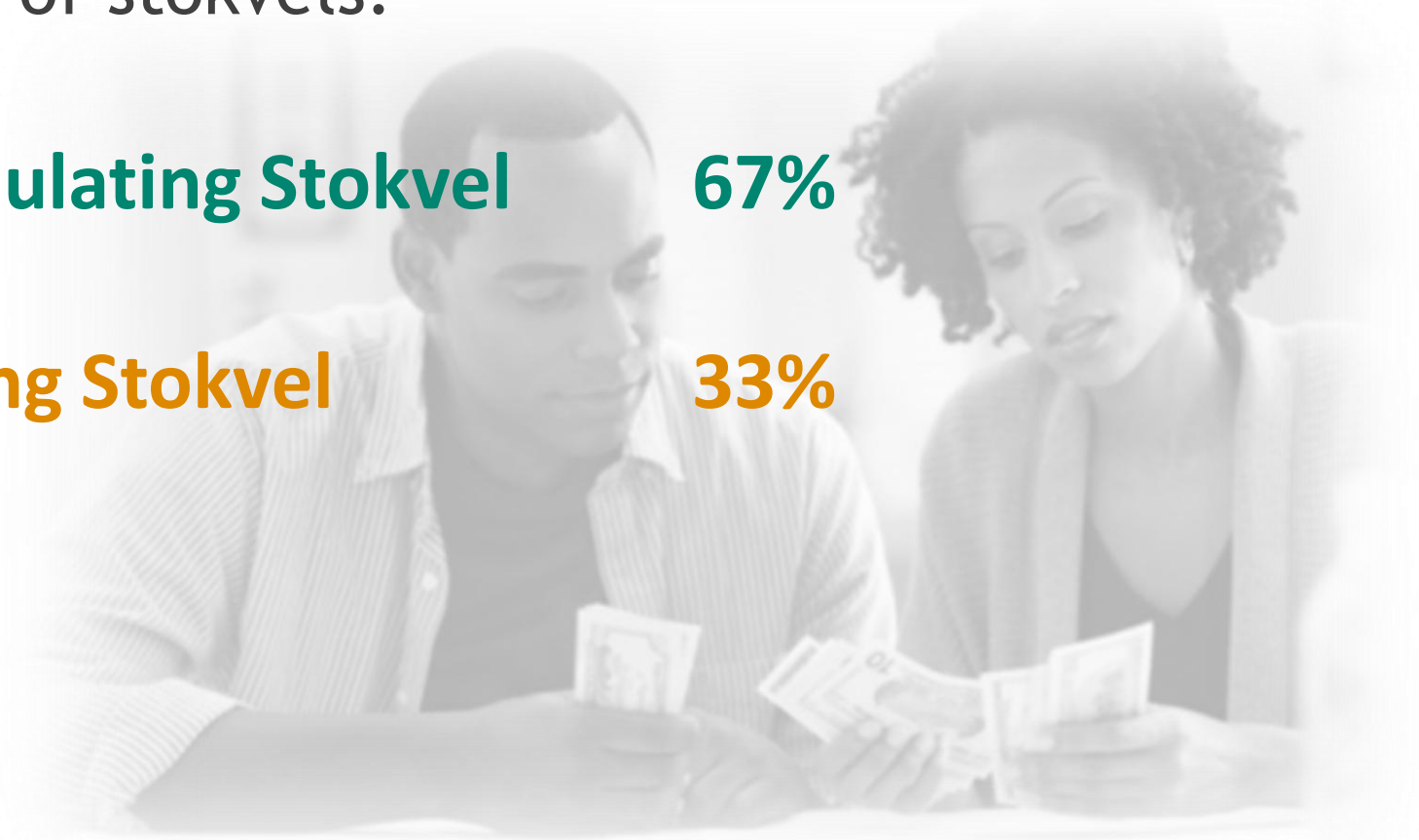
**35%**



Two types of stokvels:

**Accumulating Stokvel** 67%

**Rotating Stokvel** 33%



**How many stokvels do  
people belong to:**

**One 81%**

**Two 19%**

**Average membership:**

**Overall 15**





**Stokvels as a lender:**

**Members 36%**

**Outsiders 13%**

**Average interest  
rate charged:**

**29%**

# Contribution into stokvel per month

	R
<b>Overall Black Households</b>	<b>520</b>
Less than R6k pm HH	369
R6k – R13 999 pm HH	475
R14k – R19 999 pm HH	466
R20k – R40k pm HH	820
R40k+ pm HH	670





**Disciplined savings /  
don't want to let anyone down**

**I know my money will be safe**

**I enjoy the social aspect /  
networking**

# What do you use your stokvel payouts for?

**Food**

**Christmas shopping**

**Clothes**

**Furniture and appliances**

**School fees**

**To pay off debt**



# The value of stokvels in South Africa

*In 2005, The Unilever Institute estimated that there were 800 000 stokvels in SA*

## Urban areas

Let's assume that there are now  
320 000 stokvels in SA  
in urban areas

Average membership is 15:  
 $320\ 000 \times 15 = 4.8\ \text{m members}$   
@ R520 per month/member =  
R2.50 bn per month

**R30 bn per annum**

## Rural areas

Let's assume that there are now  
480 000 stokvels in SA  
in rural areas

Average membership is 15:  
 $480\ 000 \times 15 = 7.2\ \text{m members}$   
@ R100 per month/member =  
R720 m per month

**R8.6 bn per annum**

**TOTAL ESTIMATE: R38.6 billion per annum**

- ❑ While South Africans continue to be financially stressed, there is a degree of resilience and they are finding ways to cut down on expenses
- ❑ “Nowism” is a consumer trend that is becoming more pronounced, especially given the difficult times, and it has implications for the products and services that consumers purchase
- ❑ One in two working metro South Africans believe that the government and/or their children will look after them
- ❑ The Old Mutual Sandwich Generation Indicator shows that fewer people are able to support both children and parents

- ❑ Education remains the primary savings objective, but South Africans are significantly underestimating the cost of education in the future
- ❑ Stokvels continue to be a very entrenched savings vehicle, mainly due to their being a disciplined way of saving, and their ubuntu aspect.
- ❑ Shorter savings horizons are noted, but South Africans must not lose sight of the importance of saving and investing for longer term events.
- ❑ South Africans are hungry to learn how to save and invest. Reaching people with relevant and realistic financial education is critical.

# Thank You!

