



Savings & Investing in South Africa - The Facts

July 2012

6th Edition



OVERVIEW

The Old Mutual Savings & Investment Monitor is a **bi-annual survey** of metro working South African **saving and investment behaviours & attitudes**



RESEARCH METHODOLOGY



Tracking study to look at trends



1000 working metro households



Face-to-face interviews



Conducted by independent research house,
Peppercorn Research

DISCUSSION POINTS

- Update on tracking measures
 - Vehicles used for saving & investing
 - Savings & Investment objectives
 - Property as a retirement nest egg
 - Dependency
 - What is happening to debt?
 - The Old Mutual Sandwich Generation Indicator
 - Financial Education
 - Women and finance/saving & investing
 - Closure
-

DEFINITION OF SAVINGS & INVESTMENTS



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graph TD; A[Savings & Investments] --- B[Putting money away into savings accounts, policies and investments]; A --- C[Holding back on spending and using that money to pay debt faster, like putting extra into your home loan];
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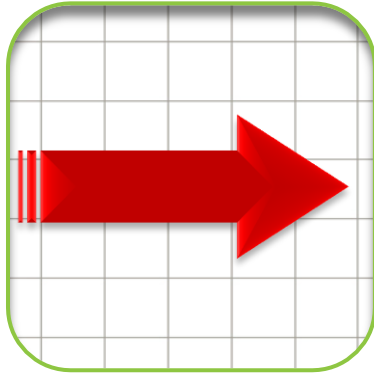
Savings & Investments

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



2012, THE YEAR SO FAR



Consumer Confidence Index
has been flat



Interest rates have remained
stable (with recent 0.5%
drop)



No significant change in demand
for residential property



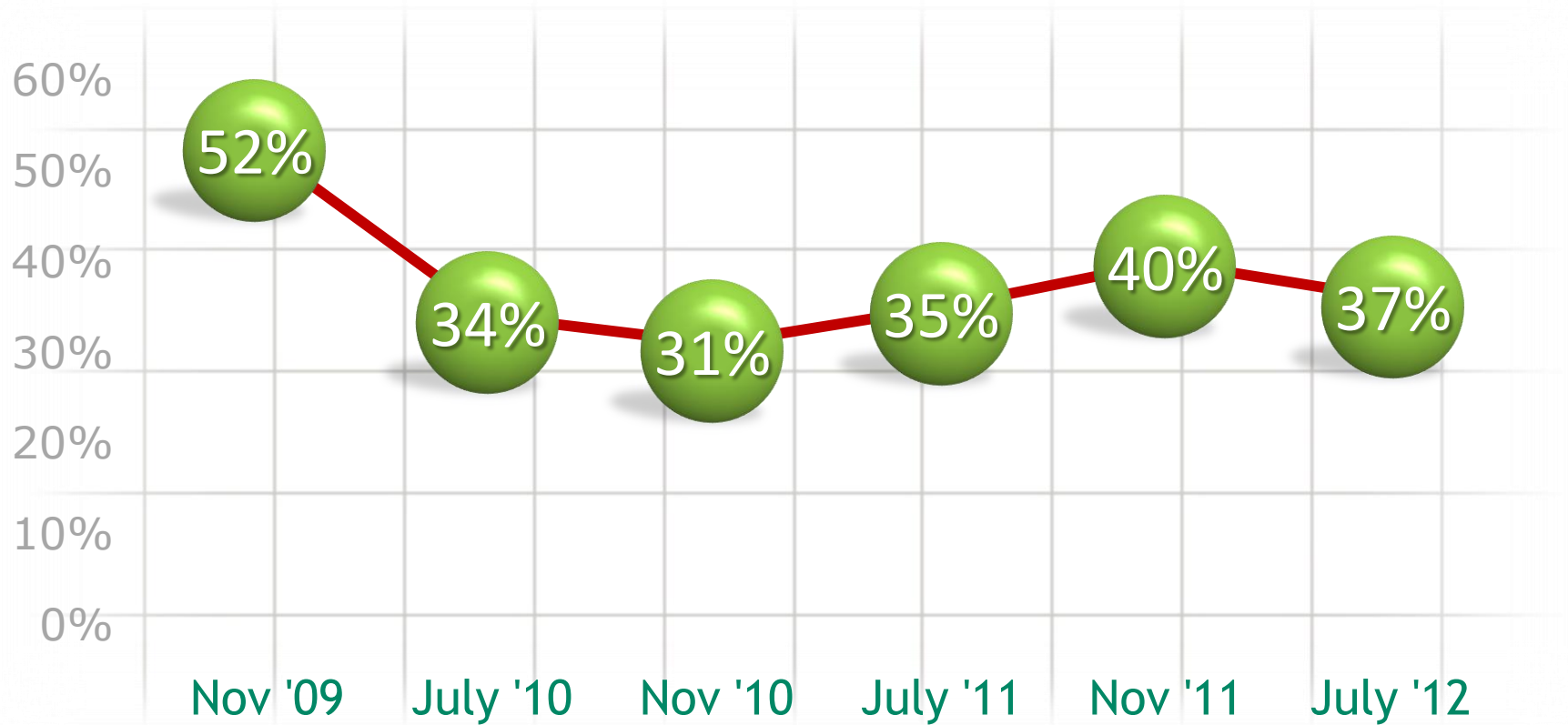
SA CPI was 5.5%
in June 2012



Financial turmoil in
Europe and the US

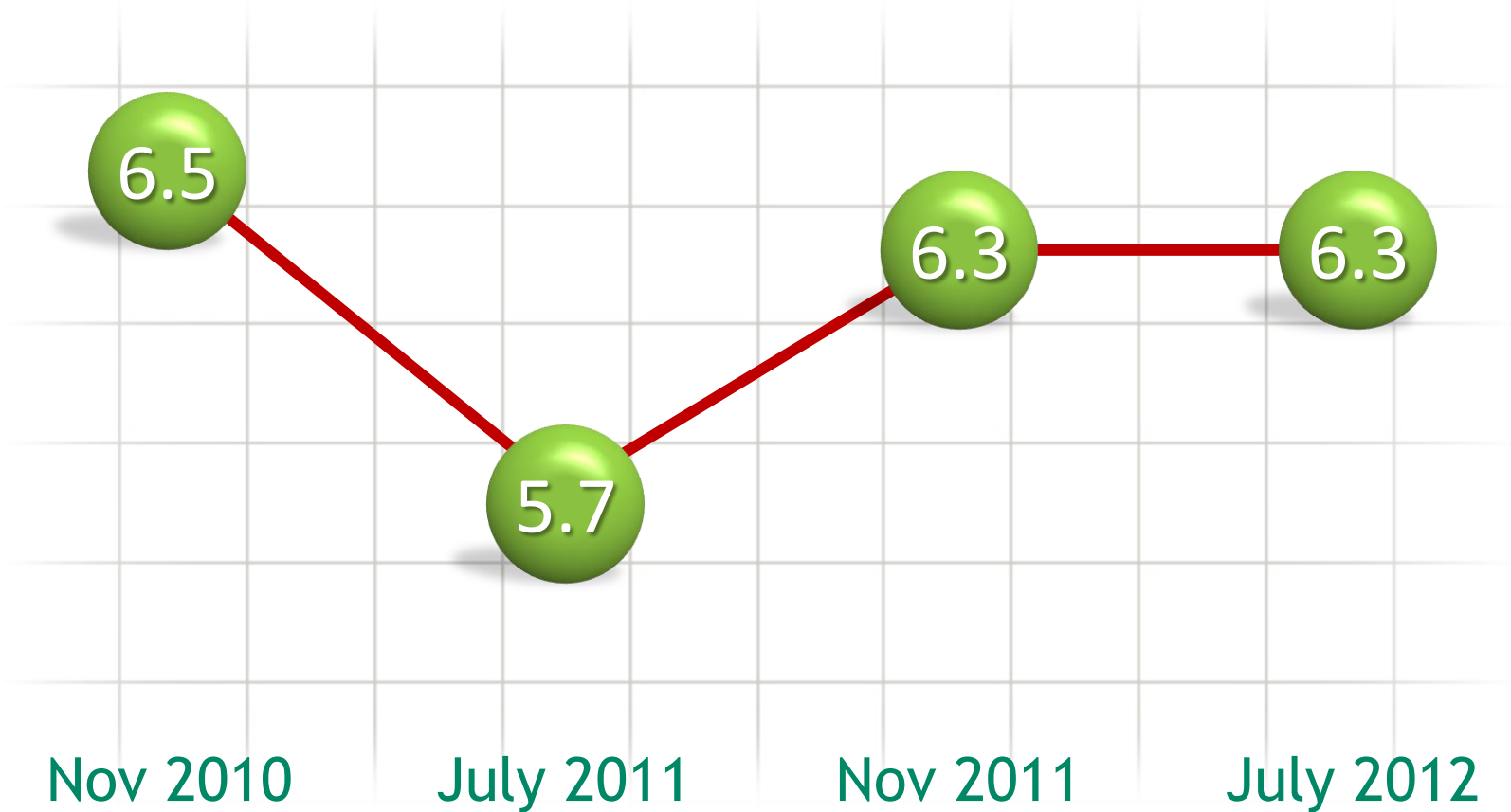
OVERALL SAVINGS BEHAVIOUR

SAVING LESS THAN A YEAR AGO

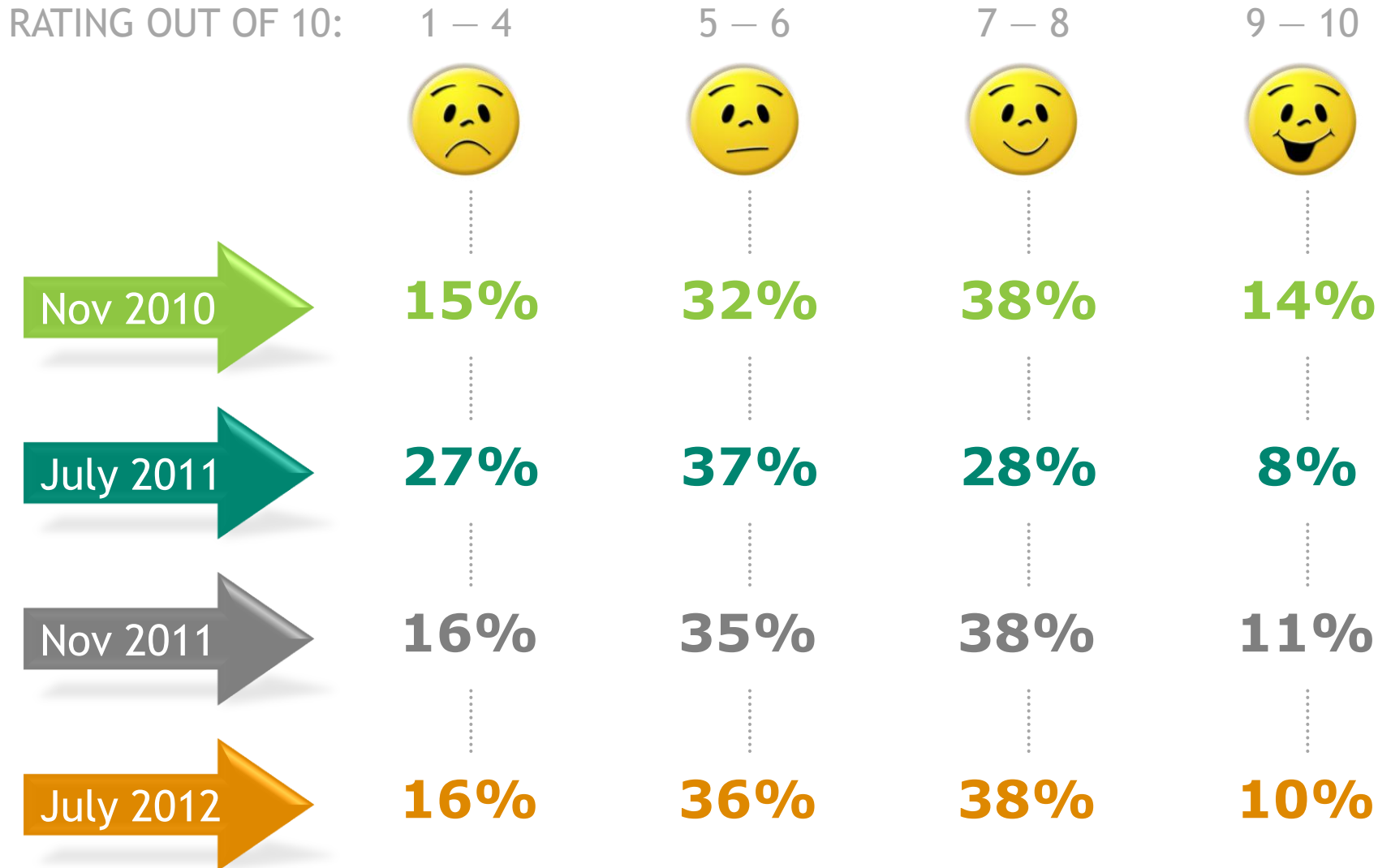


2012 . . . SATISFACTION WITH OVERALL FINANCIAL SITUATION

MEAN SCORE OUT OF 10



SATISFACTION WITH CURRENT FINANCIAL SITUATION



“RECESSION” . . . THE EFFECTS ARE STILL BEING WIDELY FELT



JULY 2011



38%

82%

NOV 2011



45%

88%

JULY 2012

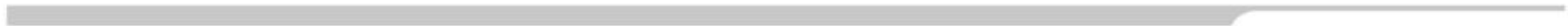


44%

85%

Strong influence

Strong/Some influence



WHAT EFFECTS?



JULY 2011



NOV 2011



JULY 2012

Affordability pressure

48%

36%

19%

Cutting down/
Expense control

38%

59%

62%

Saving and Investment
mindset

22%

29%

25%

WHAT ARE CONSUMERS DOING?

*"I went for debt counselling, consolidated my debts and equipped myself with more knowledge about investing and saving"
(R14k – R20k pm)*

*"I visit a financial advisor more frequently to gain more knowledge about finances and how to deal with my investments wisely during a financial crisis"
(R40k+ pm)*

*"I had to sell some of my furniture to make ends meet. I no longer have a gardener, and I do my own maintenance"
(R14k – R20k pm)*

*"I've moved my child to a cheaper school that's closer, so I'm saving on transport costs"
(Less than R6k pm)*

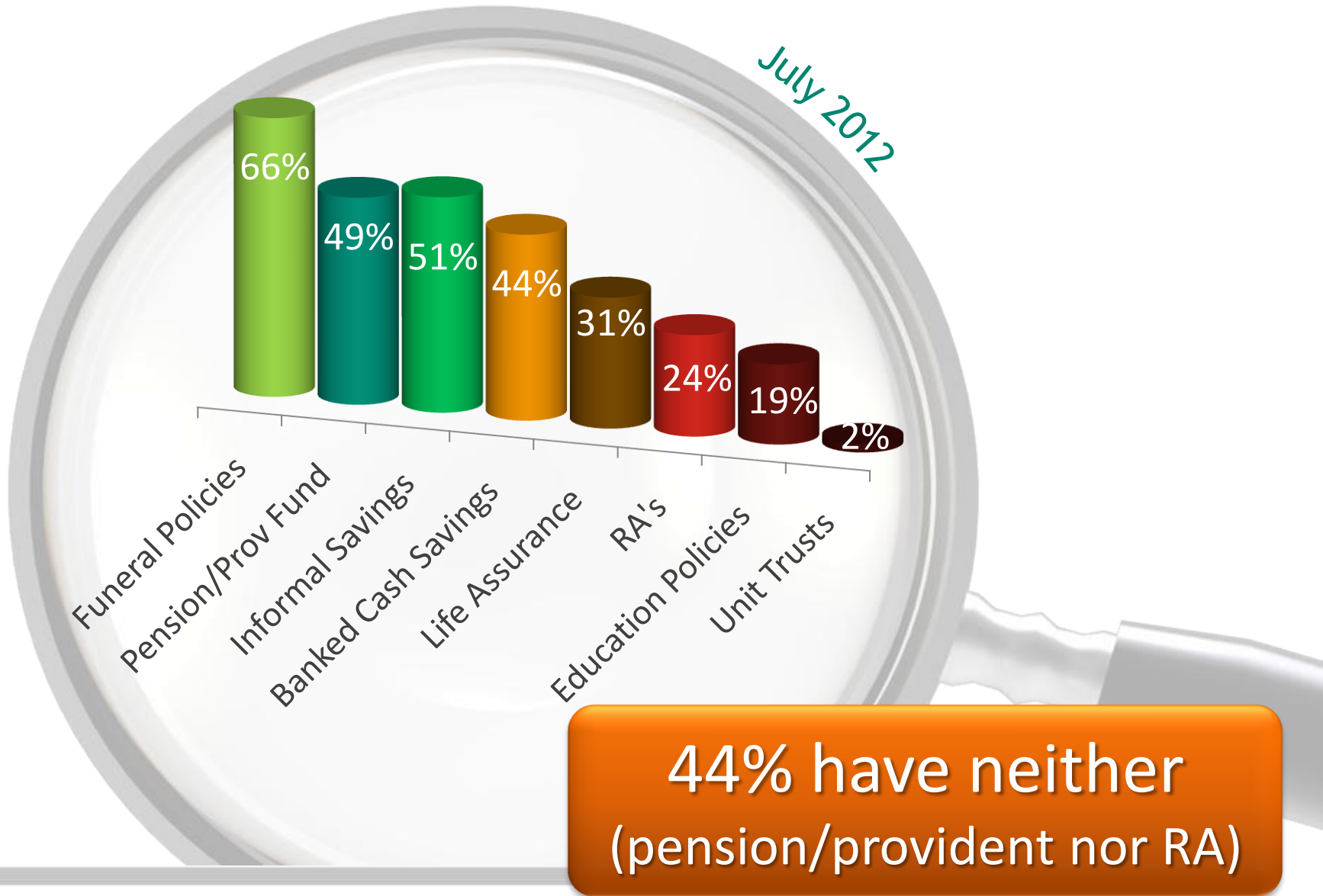
"I love an expensive lifestyle. I don't deprive myself, I just take life as it comes. I love to wine and dine, so I have not changed at all" (R40k+)

FROM THERE TO HERE.



VEHICLES USED & SAVINGS AND INVESTMENT OBJECTIVES

VEHICLES USED FOR SAVING & INVESTING



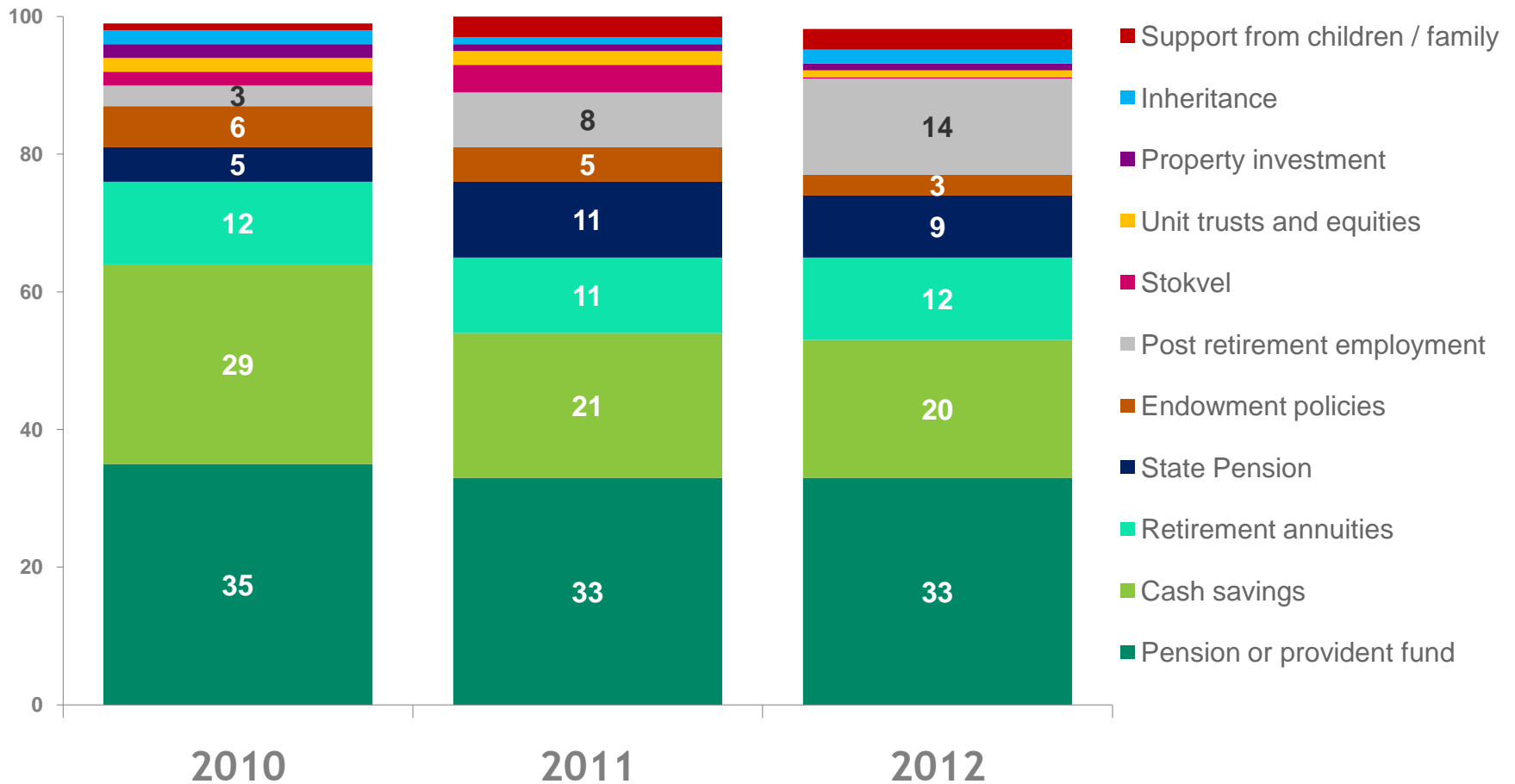
HAVE NEITHER PENSION/PROVIDENT NOR RA

Less than R6k pm	R6k – R13 999 pm	R14k – R19 999 pm	R20k – R39 999 pm	R40k + pm
71%	44%	31%	23%	22%



ANTICIPATED SOURCE OF RETIREMENT FUNDS

"Thinking about the savings, investments and other sources that you will draw on in retirement, what % do you think will come from..."

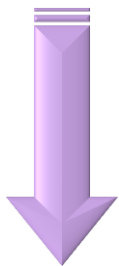


SAVING & INVESTING OBJECTIVES

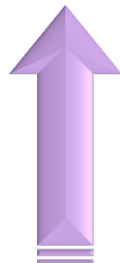
Emergencies/For a rainy day **39%**

Retirement/Old age **35%**

Children's education **33%**
(50% amongst those with dependent children)



Saving for holiday
(except for R40k+
HH pm)



Medical
Expenses



Lobola
(amongst those
earning less than
R6k HH pm)

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%

PROPERTY AS A RETIREMENT NEST EGG


INCREASING RELIABILITY ON PROPERTY AS 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?"

	NOV 2011	JULY 2012
Will rely heavily	5%	14%
Some extent	22%	40%
Not at all	50%	43%
Don't know	22%	13%



IS THIS REALISTIC?



Asking price = R950 000
Selling price R920 000
Estate agent fees = 7.5%
= R851 000

Cost = R780 000

68% of Baby Boomers own property
Approximately 40% are still paying off a home loan

DEPENDENCY

DEPENDENCY

40% of South Africans believe **their children** will take care of them when they are old (up from 35% in Nov 2011)

40% are planning to **support their parents/** other family members

Generation Y 53%



DEPENDENCY

38% of South Africans believe **the government** will take care of them if they are unable to take care of themselves (up from 29% in Nov 2011)

Baby Boomers 44%

Generation X 35%

Generation Y 37%



DEBT

DEBT



Incidence of having at least one **credit card**



Incidence of having at least one **store card**

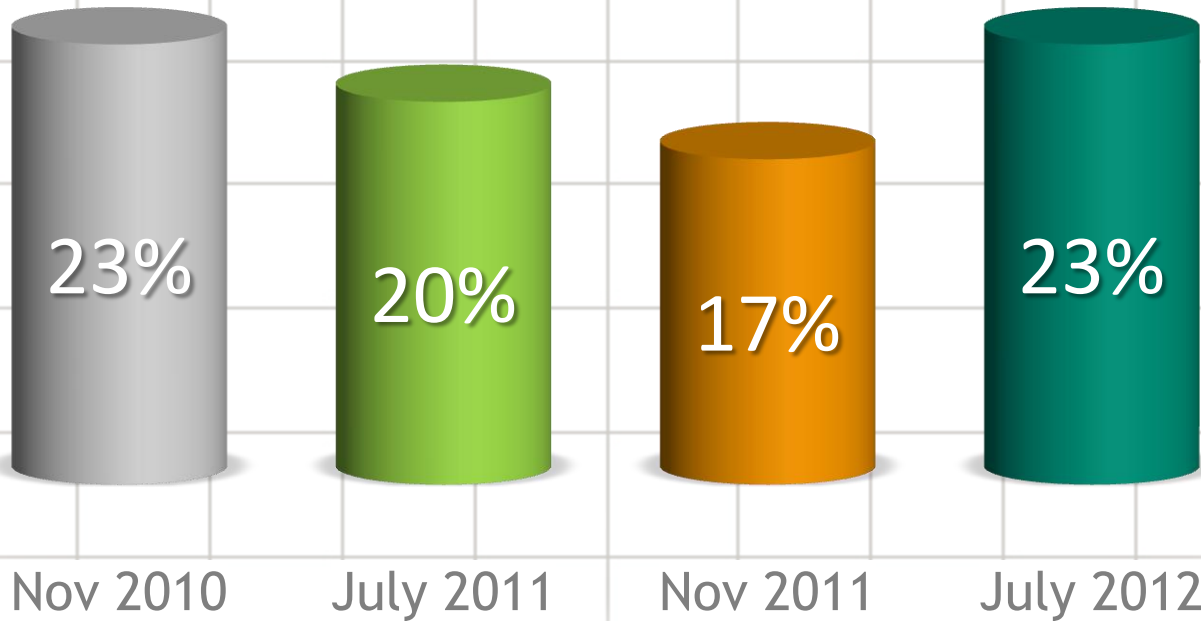


Incidence of having a **personal loan** from a financial institution

July 2011	.....	37%	.....	63%	.....	19%
Nov 2011	.....	29%	.....	60%	.....	11%
July 2012	.....	29%	.....	63%	.....	16%

THE OLD MUTUAL SANDWICH GENERATION INDICATOR

SANDWICH GENERATION



FINANCIAL EDUCATION

PRIMARY SOURCE OF FINANCIAL INFORMATION

	July '12
Financial Advisor / Broker (any)	41%
Word of Mouth	23%
Television	10%
Internet	8%
Newspapers	6%

WOM is highest for
lower income and
Generation Y

FINANCIAL EDUCATION



85%

want to learn more
about how to save

37%



have NEVER spoken
to a financial advisor



FOCUS ON WOMEN

FOCUS ON WOMEN

56%



of working metro mothers are
single moms!



FOCUS ON WOMEN



In
**single mom
households**

only about

1 in 2 fathers

make a financial contribution
for their children
(**21% regularly**)



WHAT ARE SINGLE MOMS SAVING FOR?

- Education
- Informal savings (grocery schemes)
- Funeral policies

But sacrificing long term and precautionary savings:

- Life assurance
- RA
- Pension/Provident fund
- Medical Aid



MORE ABOUT SINGLE MOMS



	Single moms	Moms in partnerships	Total sample
Satisfaction with financial situation (out of 10)	6.0	6.7	6.3
My children will look after me when I am old	58%	42%	40%
The government will look after me if I am not able to look after myself	50%	36%	38%

SINGLE MOM – MONTHLY BUDGET

R 15 000 Single mom household earning R15k per month with one child

R 4 000
Rent

R 3 500
Groceries

R 1 870
Tax

R 600
Hospital plan
for two

R 800
Car
repayment

R 500
Cell phone

Deficit = R20

R 800
Day-to-day
spending /
entertainment

R 1 000
Water / lights /
electricity

R 250
Car
insurance

R 500
Petrol

R 1 200
School fees

THAT SECRET STASH OF CASH

"Do you have a private store of emergency funds or savings that your partner is not aware of?"



14%

Females do

20%

Males do





THANK YOU

