

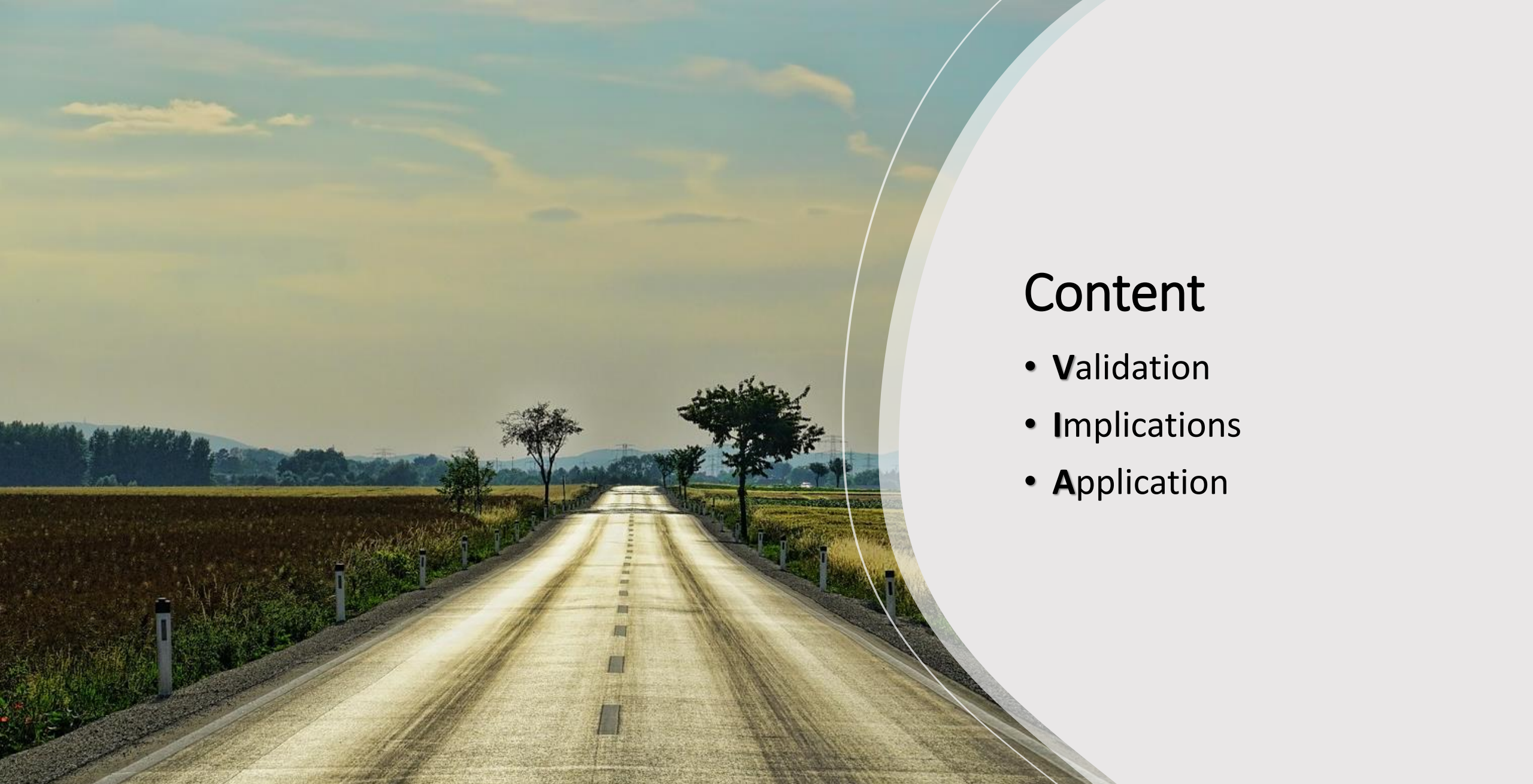


# Old Mutual Savings and Investment Monitor – A reflection

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# Content

- **V**alidation
- **I**mplications
- **A**pplication



# Validation

- *the instrument measures what it was designed to measure*

- **Source**
  - Longitudinal since 2009
- **Collection**
  - External company
  - Online, self administered
- **Analysis**
  - Sample size >1,500
  - Population representativeness (BMR, quota control)
  - Consistency with existing knowledge

# Validation

- **Savings to Stress** (more than one job?)
  - A **positive association** between financial stress .... generally stronger among populations with low income...
    - Guan, N., Guariglia, A., Moore, P., Xu, F. and Al-Janabi, H., 2022. Financial stress and depression in adults: A systematic review. PloS one, 17(2), p.e0264041.
- **Sandwich generation** (43% borrow from family and friends)
  - The **middle-aged generation cares** for their aging parents and children ....
    - Liang, C., 2023. Multigenerational Living for the Sandwich Generation.



# Validation

- **Vulnerable groups** (like single mothers)
  - 42% of households **headed by females**, most heading a double generation household
  - **young people** and **elderly**
    - Marginalised Groups Indicator Report, 2021 / Statistics South Africa
- **2/3 people cannot survive for 3 months**
  - -0.2% **Savings ratio**
    - South Africa Household Saving Ratio - 2023 Data - 2024 Forecast - 1960-2022 Historical (tradingeconomics.com)



# Validation

- **Use expensive credit** (for living or emergency expenses)
  - 1/3 **fallen behind** on home loans
  - 1/3 use debt to **pay off other debt**
  - **Interest rate increases** of about 50%
    - South Africa Interest Rate - 2023 Data - 1998-2022 Historical - 2024 Forecast (tradingeconomics.com)
  - Increase in **value of civil cases** for debt
    - Statistics of civil cases for debt, April 2023
- **71% Cash in all or some of there retirement savings**
  - 2/3 of members have less than R50,000 in their funds
    - Shock retirement numbers for South Africa – BusinessTech

# Validation

- **Prospect theory and online gambling**
  - Overweighting of low probabilities
  - Risk seeking in the negative domain
    - Kahneman, D. and Tversky, A., 2013. Prospect theory: An analysis of decision under risk. In Handbook of the fundamentals of financial decision making: Part I (pp. 99-127).
- **Windfall and mental accounting**
  - Small gains, relative to income, will be coded as current income, and spent
    - Thaler, R.H., 1990. Anomalies: Saving, fungibility, and mental accounts. Journal of economic perspectives, 4(1), pp.193-205.



# Implications

## Why do people need to save?

- 1. Financial Security:** Life is unpredictable and full of surprises
- 2. Long-term goals:** Big purchases (house), starting your own business, studies, retirement
- 3. Using opportunities**



# Application

	Portion	2022	Inflation	2023	Change
Gross		25,300		26,000	700
Tax etc		3,900		3,800	- 100
Net		21,400		22,200	800
Housing and utilities	25.12%	5,376	4%	5,596	220
Food	16.84%	3,604	14%	4,105	501
Transport	13.85%	2,964	8%	3,189	225
Other	12.74%	2,726	6%	2,898	172
Alcohol and tobacco	7.49%	1,603	6%	1,705	103
Recreation	4.56%	976	4%	1,017	41
Household content	3.87%	828	7%	882	54
Clothing	3.69%	790	3%	813	24
Insurance	3.23%	691	6%	733	41
Education	2.80%	599	6%	633	34
Restaurants	2.70%	578	5%	607	29
Communication	2.34%	501	0%	502	1
Health	0.77%	165	5%	174	9
	100.00%	21,400		22,854	1,454

1

3

4

5

2



\* Trading economics, Stats SA, Finscope

Change - 654



## 5 Thoughts to leave you with

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High unemployment!



3 Doing things (knowledge, skills, behavior)



1 Being thing (wellness and stress)



Consolidated effort



4/10 Have financial advisor