

FINANCIAL EDUCATION KEY TIPS

OLD MUTUAL
SAVINGS & INVESTMENT
MONITOR





GAMBLING



1.



40%

40% of working South Africans acknowledge they gamble frequently hoping to make money that can cover some of their expenses/debt.

- Gambling is not the answer to financial challenges, people who gamble are most likely to end up indebted as they may need to borrow to support their habit.
- It is a game of chance not strategy; there's no winning formula. Those who win are few and far between and it's merely luck. The system is designed to generate profits and not ensure winnings for the players.
- It's a drain on your finances; you may believe your lucky day is coming, and with every bet you are left in a worse off situation financially.

2.



50%

50% of low-income earners gamble

- Firstly, it's important to highlight the fact that gambling is a bad habit whether you earn a lot or not – it makes no difference, the risks remain the same.
- However, it is concerning to see that the lower income band of people admitted to gambling to meet financial commitments. This means they dedicate a sum of money to gambling when it could be used to settle debts for example.
- Instead of gambling with hopes of winning, big rather channel the money towards savings, as you run a bigger risk of losing than winning.



3.



1 in 4 have landed in financial difficulty because of gambling

- It's not a surprise that people would end up in financial trouble because of gambling. It's designed that way, or else those who run these operations would not invest as much resources.
- Remember, you can end up being over indebted due to gambling.
- Gambling is addictive, you run the risk of ruining not only your life but of those around you.
- The idea that you can make your losses back is a fallacy, gambling only takes your hard-earned money while you fall deeper into vicious cycle.

4.



49% have withdrawn from Two Pot to pay off debt

Having access to retirement funds through the Two-Pot system, should not be reason to deplete one's retirement savings, if you are indebted, try other means such as negotiating repayment terms with your creditor or taking on less debt.

- When you draw down your retirement savings, this means you will have less to retire on
- You will miss out on future investment growth because the money you withdraw is a missed opportunity for growth.
- You are liable to pay tax on your withdrawal; there is a price to pay for the withdrawal.
- You risk drying up your savings pot if you withdraw every tax year

49%



TWO POT/ RETIREMENT SAVINGS

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5.



50% of working South African are not confident they have enough saved for retirement.

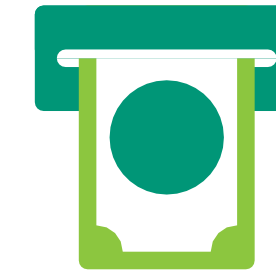
- If you believe your retirement savings are not enough, you need to act quickly and as first step start by consulting a financial advisor.

But also pay attention to:

- The tendency to live for now by believing that retirement is still far and you have enough time.
- Debt levels: delay or avoid expensive purchases such as luxury vehicles or clothes, these will only keep you indebted and unable to focus on long-term financial goals such retirement planning.
- Never underestimate how much you will need to retire comfortably. Remember, at retirement most people no longer have jobs, and their savings is the only income that must take care of medical expenses, electricity, food and transport.

50%

6.



23% of respondents said they withdrew from the savings pot to purchase big ticket items.

- When it comes to big ticket items, the answer is simple – want it, save for it. Simply because the option to withdraw from the Savings Pot has been availed does not mean it should be exercised.
- Instead of withdrawing from your savings pot for a car deposit, delay the purchase by a few months while you save for it. By doing this, you leave your savings untouched, allowing them to grow over time.

23%

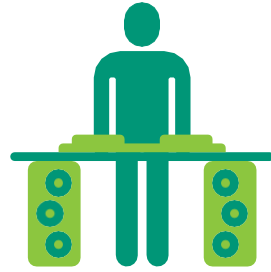


POLY-JOBBERS & BUDGETING





7.



57% of respondents said they are Poly jobbers, which means they earn an additional income from side hustle or after-hours work.

57%

- Having a secondary income is always a good move and can lessen some of the pressure that comes from having to manage multiple financial commitments.
- The important part, however, is how the additional income is used. You can either use this to better your financial position by saving/investing some of the money or settling debts.
- The additional income must not be seen as reason to take on more expenses, this will prove futile as the additional income will be taken up by other commitments.

8.



69% find themselves often or sometimes overspending mainly due to compulsive purchases as well as the rising cost of living.

69%

- **Avoiding overspending requires a mix of mindset shifts and building habits, such as:**
 - Budget: have a budget and stick to it, treat this as a non-negotiable
 - Track your spending: make an effort to track your spending and what you spend on, you may be shocked by what's setting you back financially.
 - Have financial goals: when you have a clear plan in place, it will not be easy being swayed by impulse purchases because that would mean you cannot longer accomplish your goals.
 - Understand your triggers: know what triggers to spend, there may be emotional drivers behind your unplanned spending – need to impress others, stress or wanting to feel better about yourself.



COPING MECHANISMS & RISK COVER



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9.



Ensuring there is adequate insurance/protection cover in place is a top set priority noted by 1 in 4 consumers.

- Having risk coverage products such as life cover or funeral insurance, should not be seen as luxury. It's a necessary part of financial planning.
- Not having this type of cover is very costly, if the unexpected happens. For example, if you have a life cover in place, in the event of death the pay out can be used to settle large debts such as a mortgage.

10.



67% used loyalty points/rewards.

29% cheaper TV streaming options

25% switch to cheaper supermarket brands

24% cut down on domestic help.

23% move to cheapest cell phone or data options.

18% put major expenses on hold.

11% moved children to a cheaper school

- By making minor changes across the different expenses, the benefits could be significant over time. We must be willing to adjust ourselves to the prevailing circumstances.