



July 2010 Update



Introduction

The Old Mutual Savings Monitor is a bi-annual survey of metro South African savings behaviour and attitudes

Presentation Structure

1. Are we saving more?
2. Impact of debt on savings
3. The need for savings “education”
4. Macro overview – Rian le Roux

RESEARCH METHODOLOGY

- 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%



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



Savings Monitor Findings

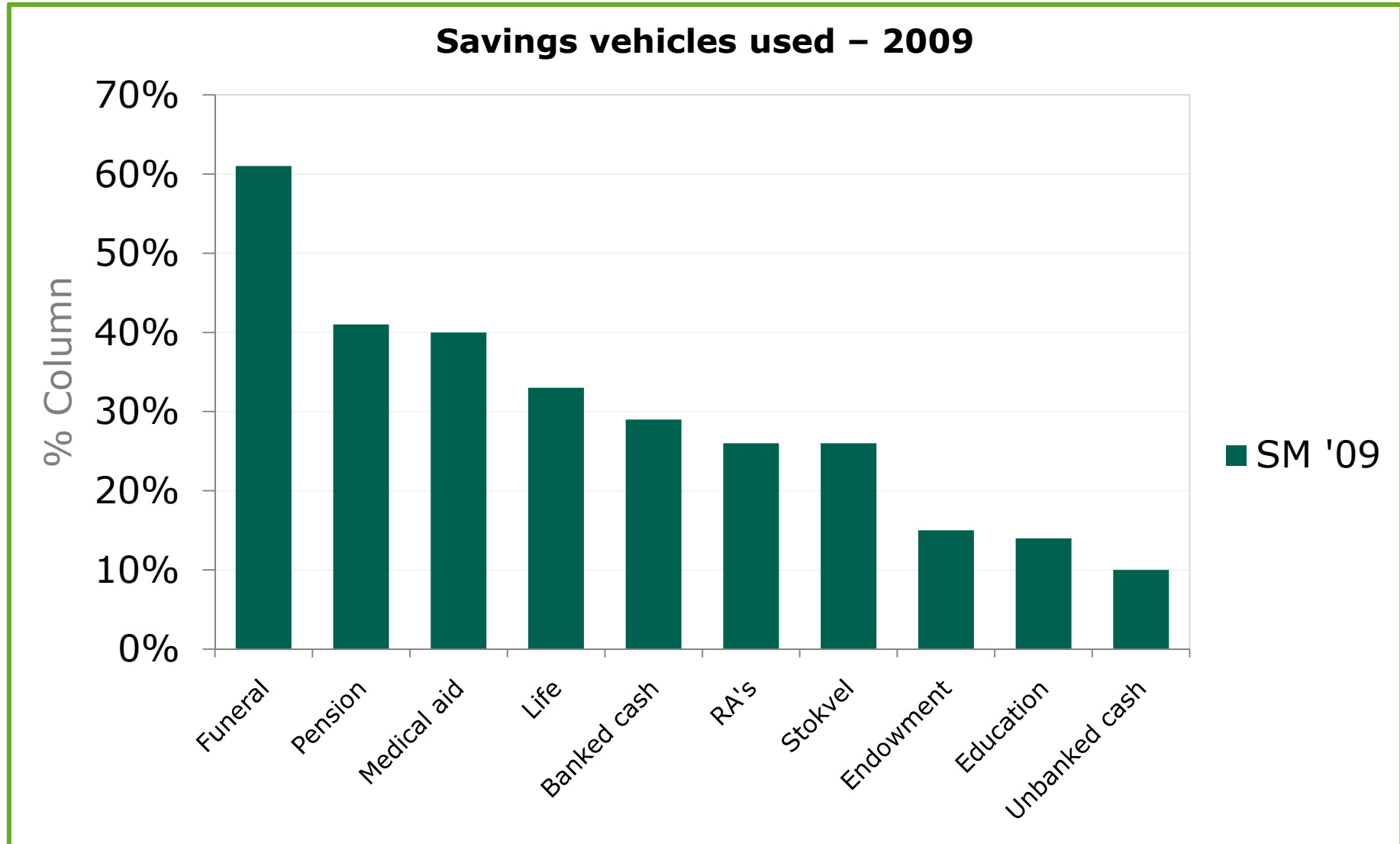


The recession is easing.
So are we saving more?

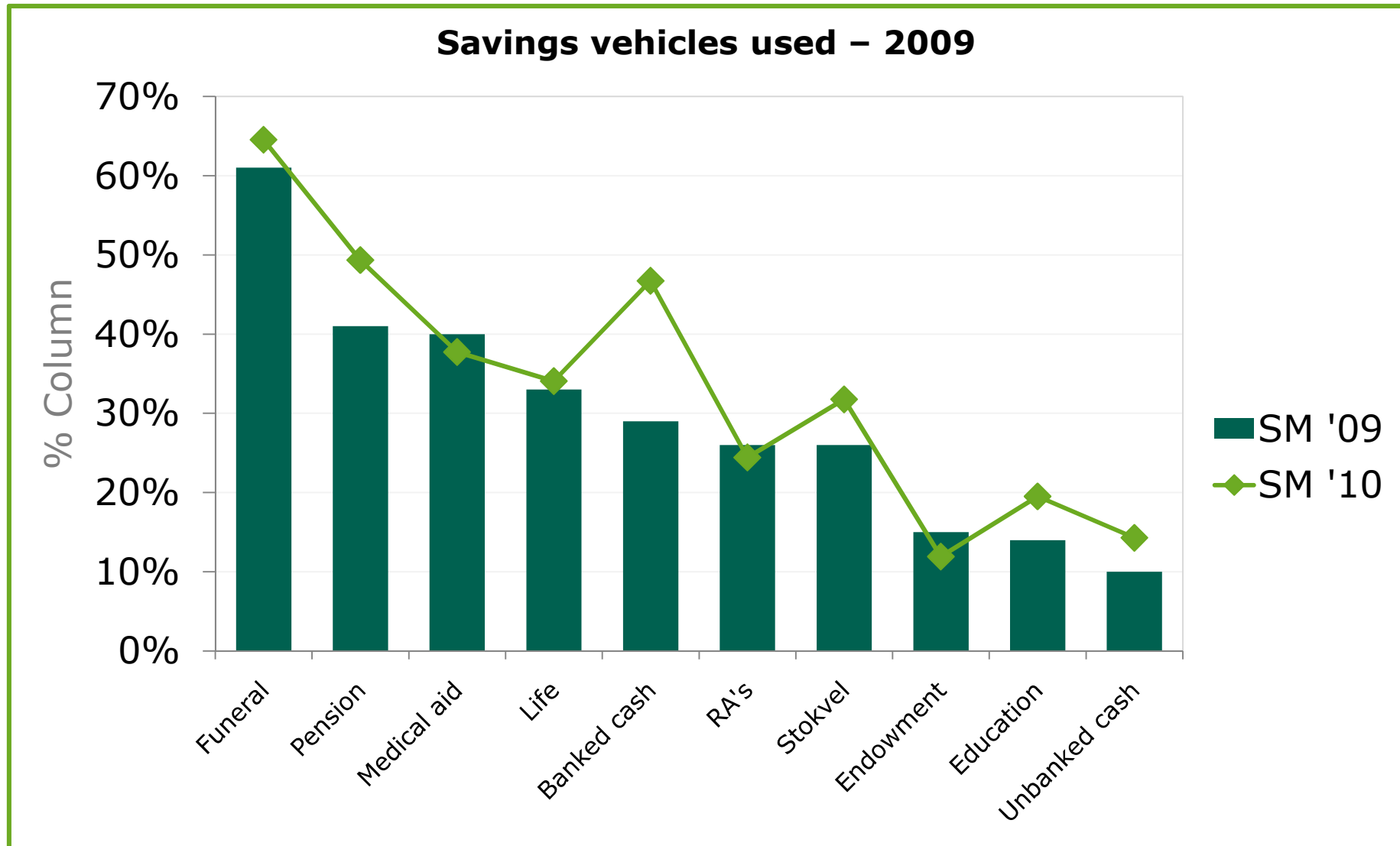


What has changed over the
past year?

Savings vehicles used in last survey



Change in savings vehicles (2009 - 2010)





POSITIVE INFLUENCES ON SAVINGS

- Interest rates marginally down
- Inflation down
- Negotiated wage increases
- 2010 FIFA World Cup™

NEGATIVE INFLUENCES ON SAVINGS

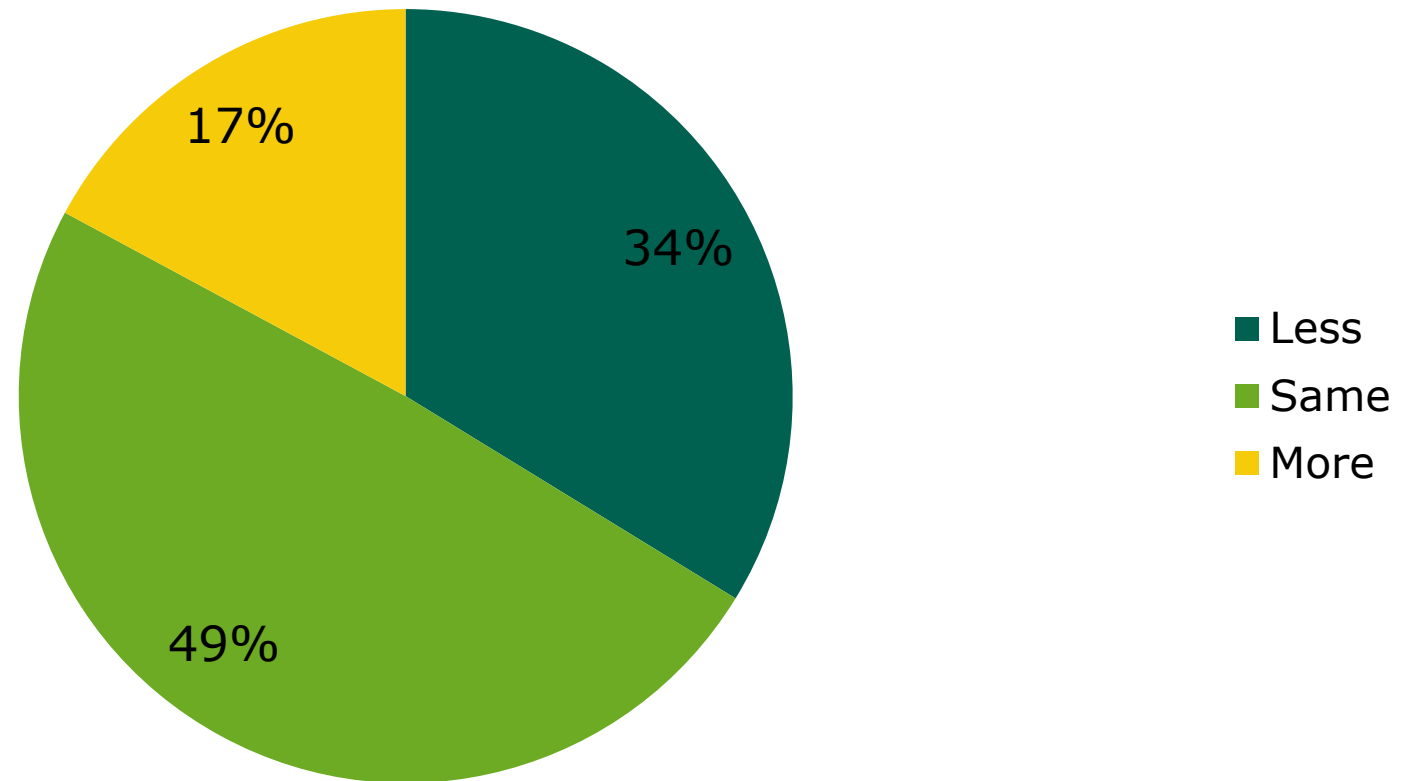
- Economic recovery slower than anticipated
- Unemployment still high
- Positive consumer sentiment over 2010 FIFA World Cup™ can lead to increased spending



So are we saving more?

No, 80% are saving the same or less

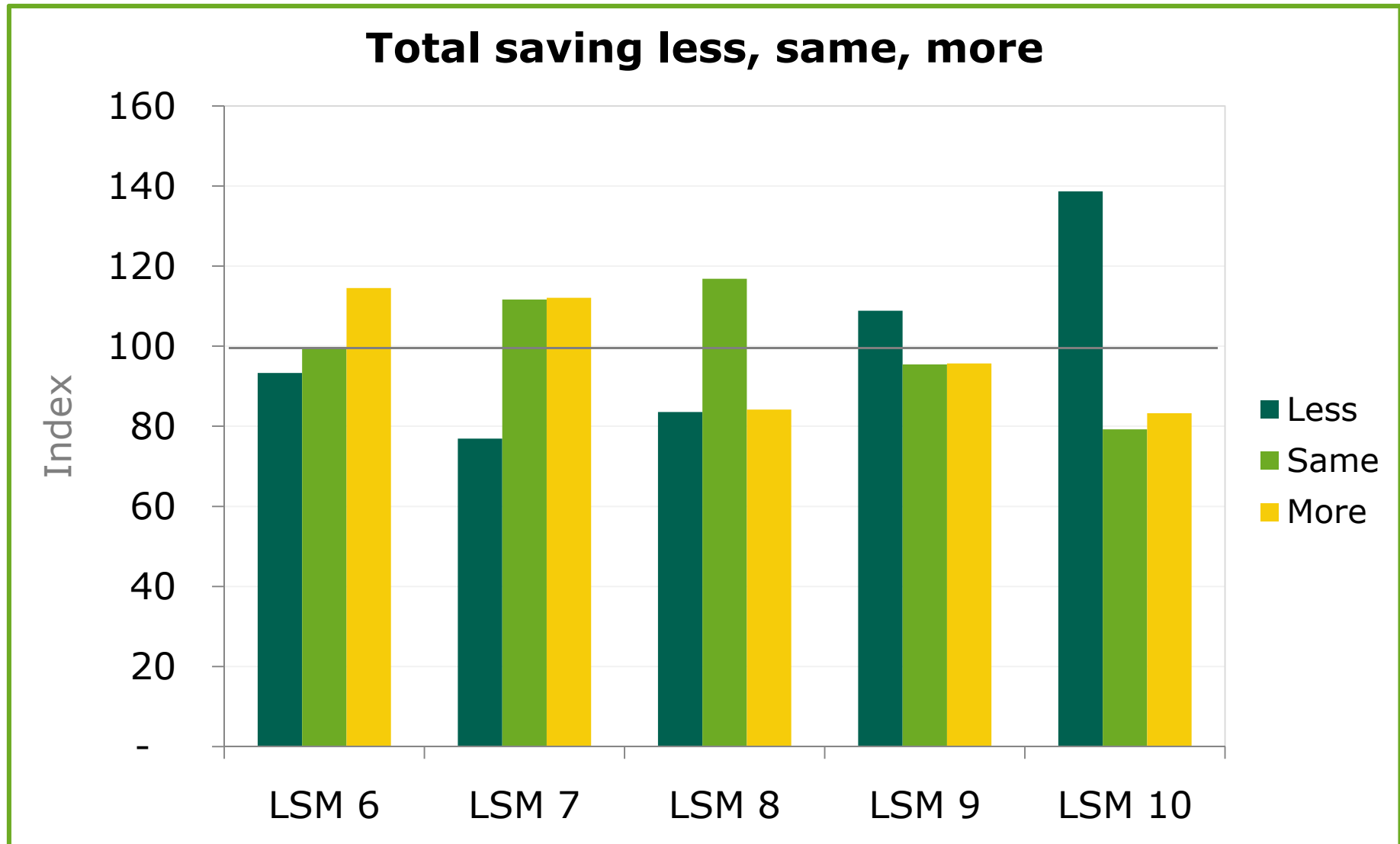
Total saving less, same, more compared to a year ago



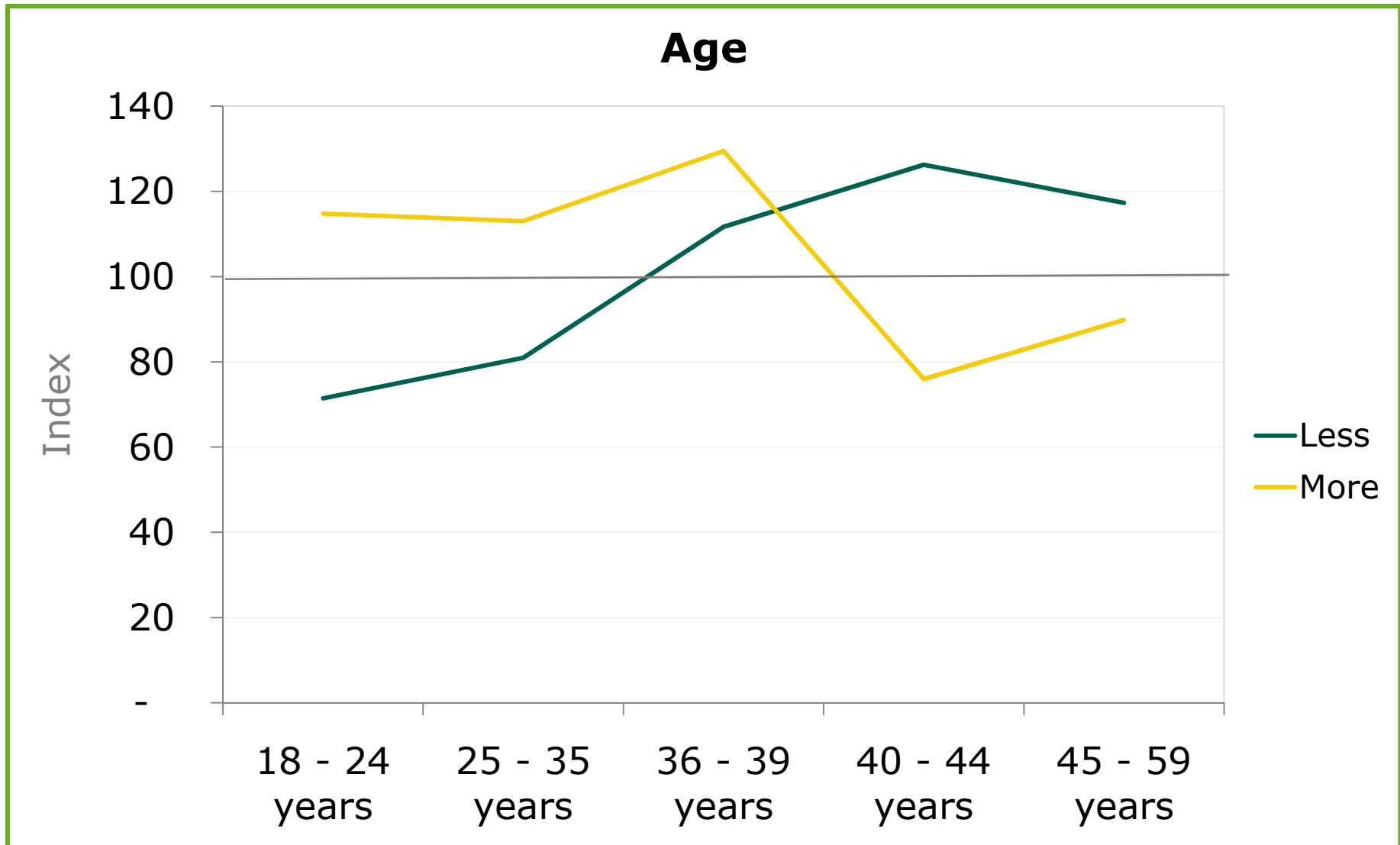
But compared to a year ago,
we're a bit steadier



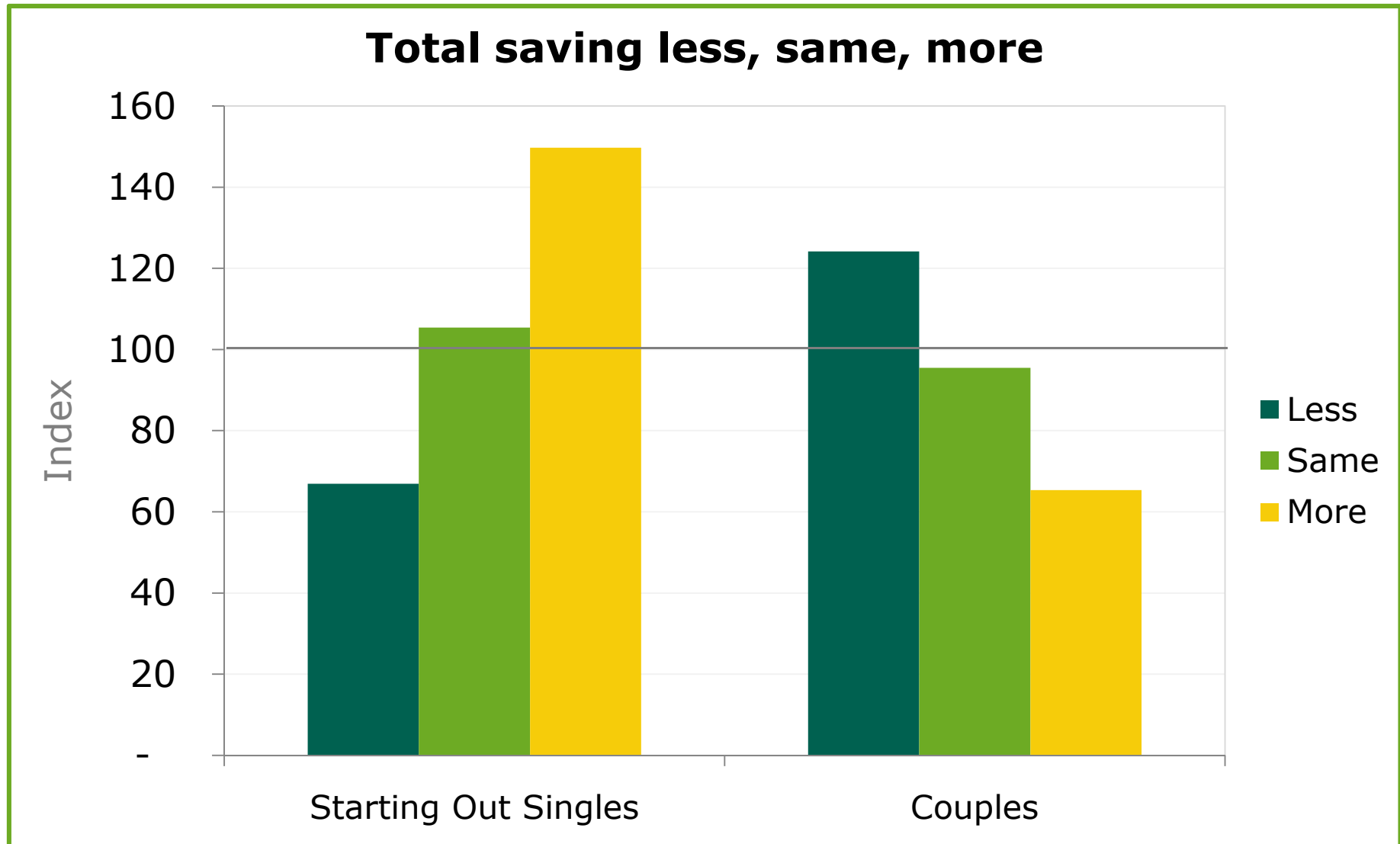
Upper LSMs are saving less



Young people are saving more than old people

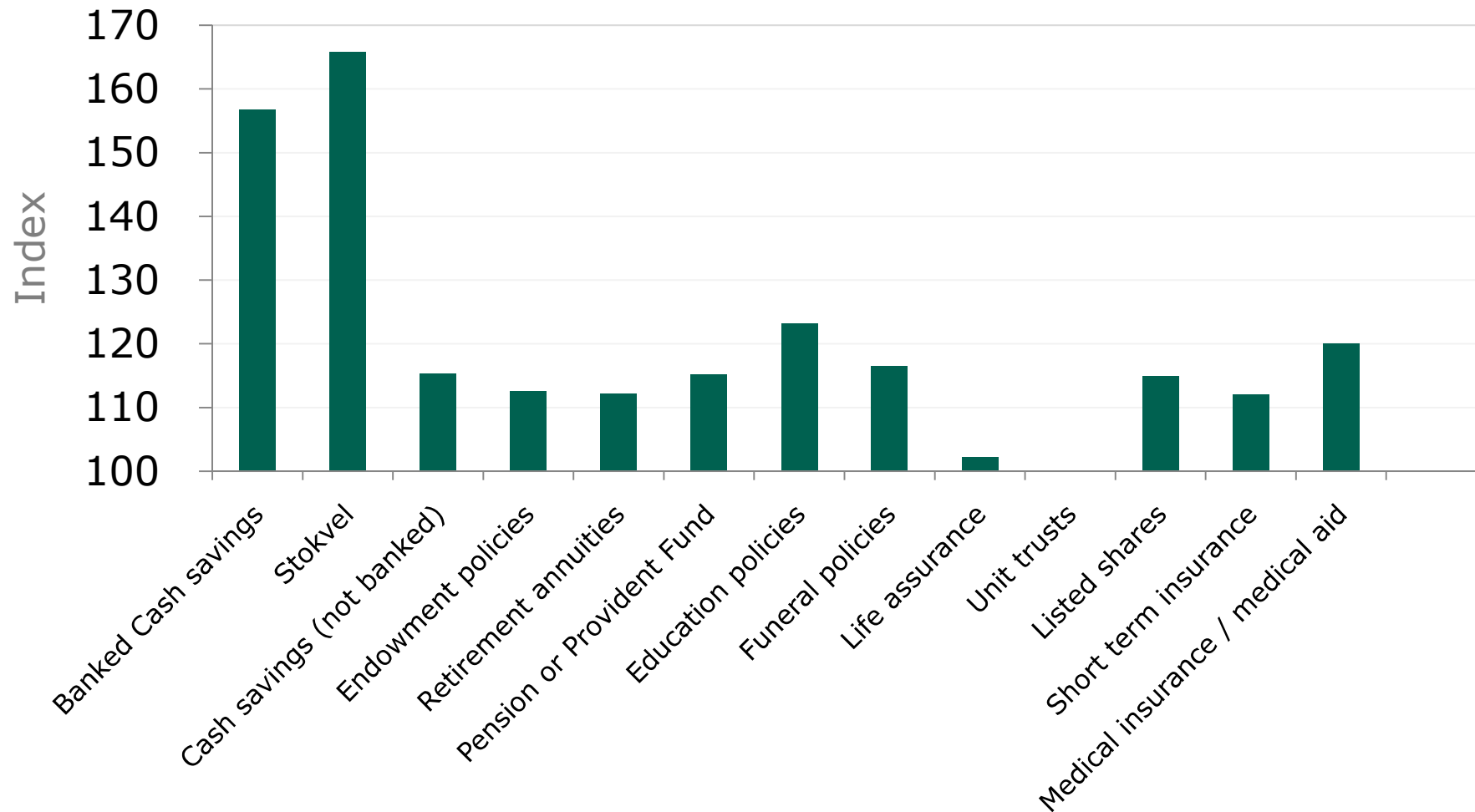


Singles saving more than couples



Those who are saving more, prefer cash savings

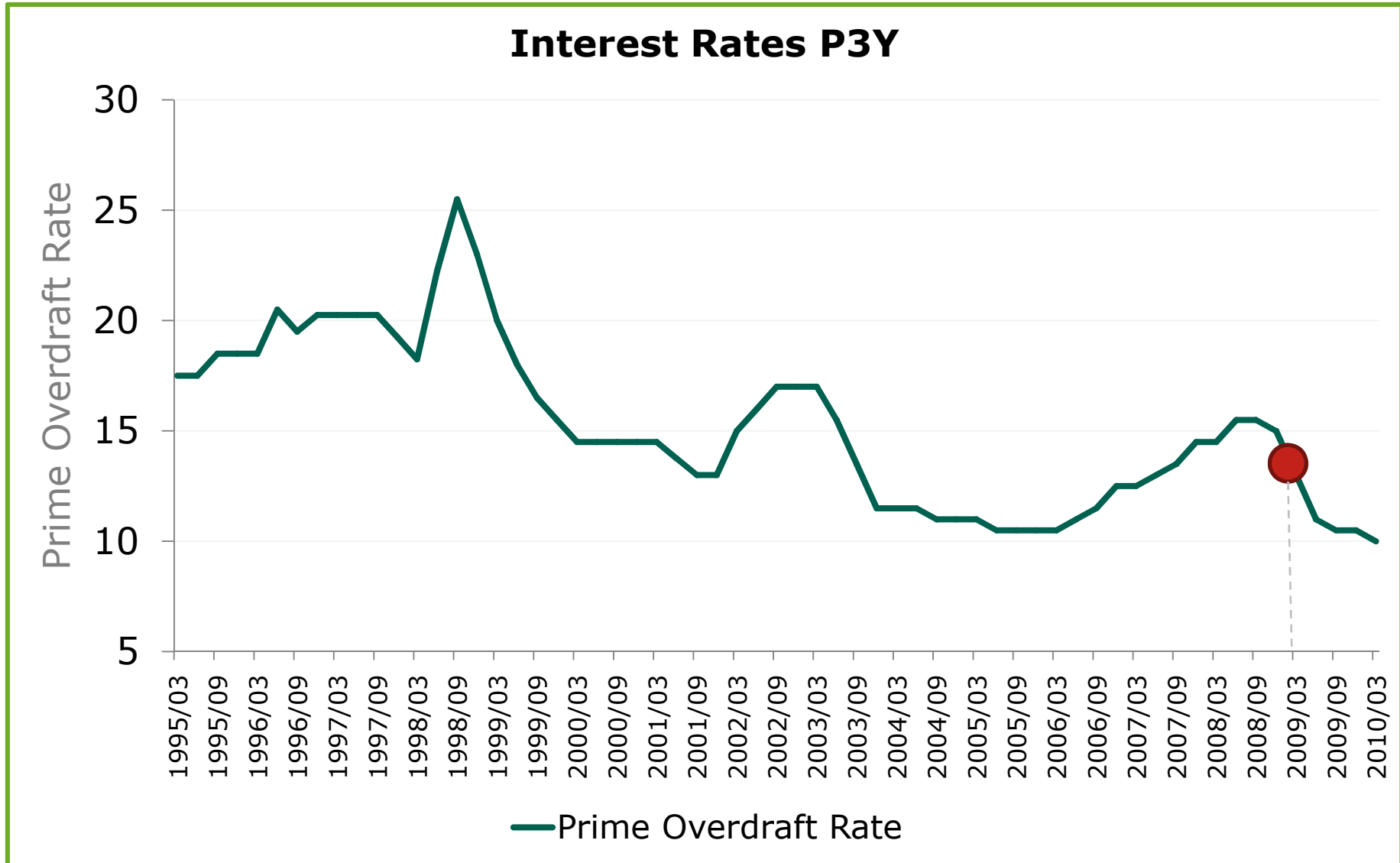
If you are saving more, what vehicles are you using?





So, why aren't we saving more?

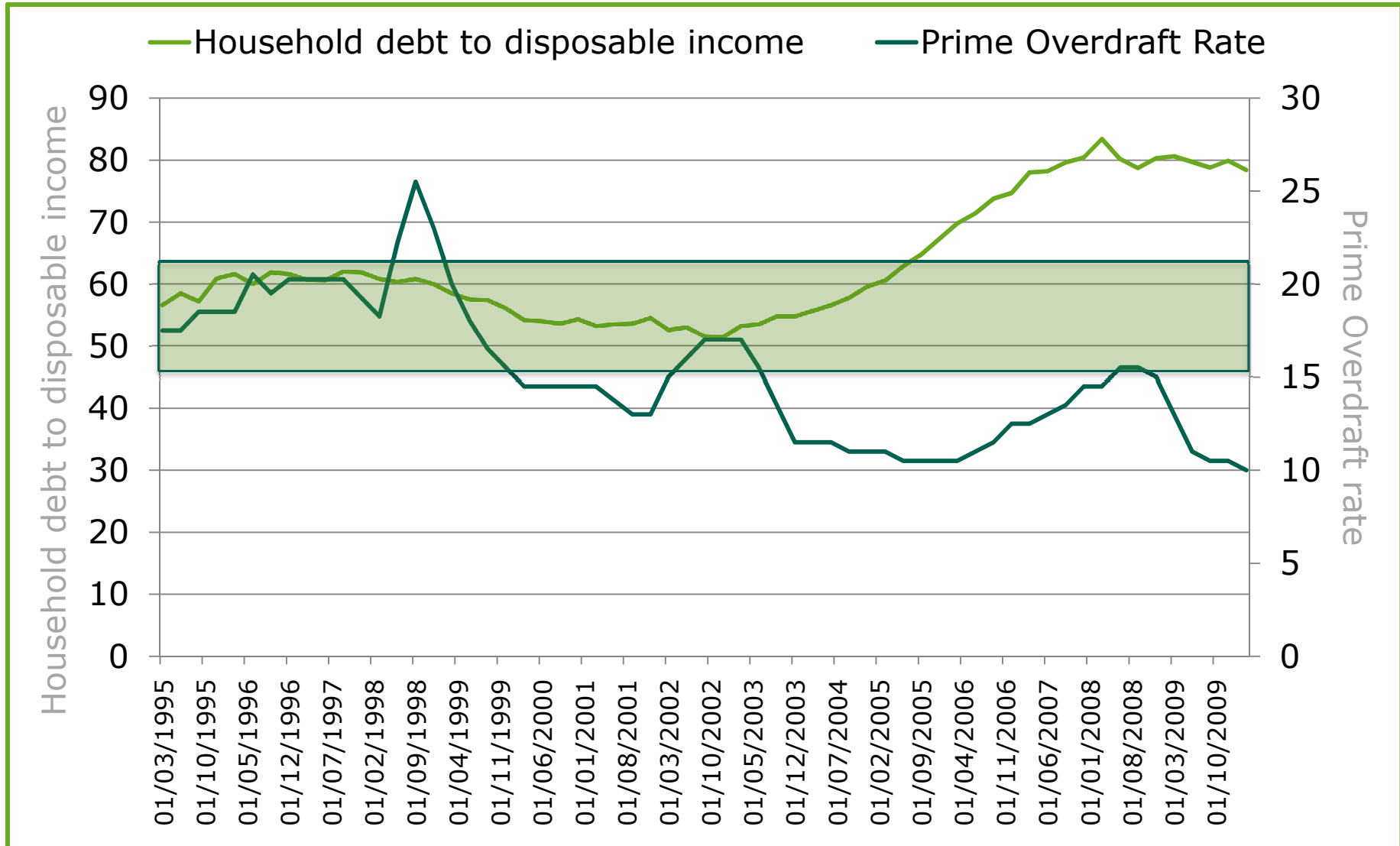
Interest rates are down



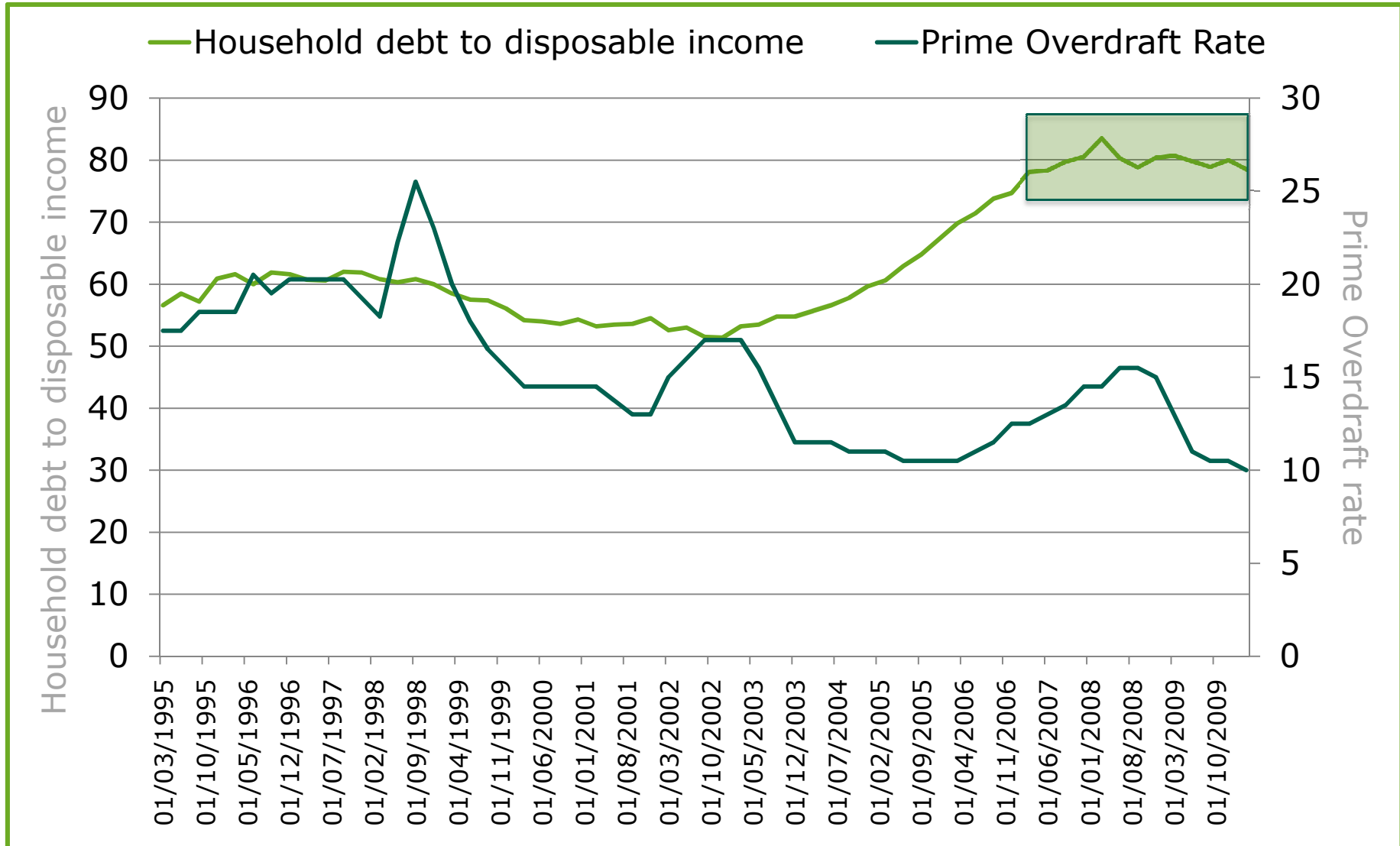
But our debt is through the roof



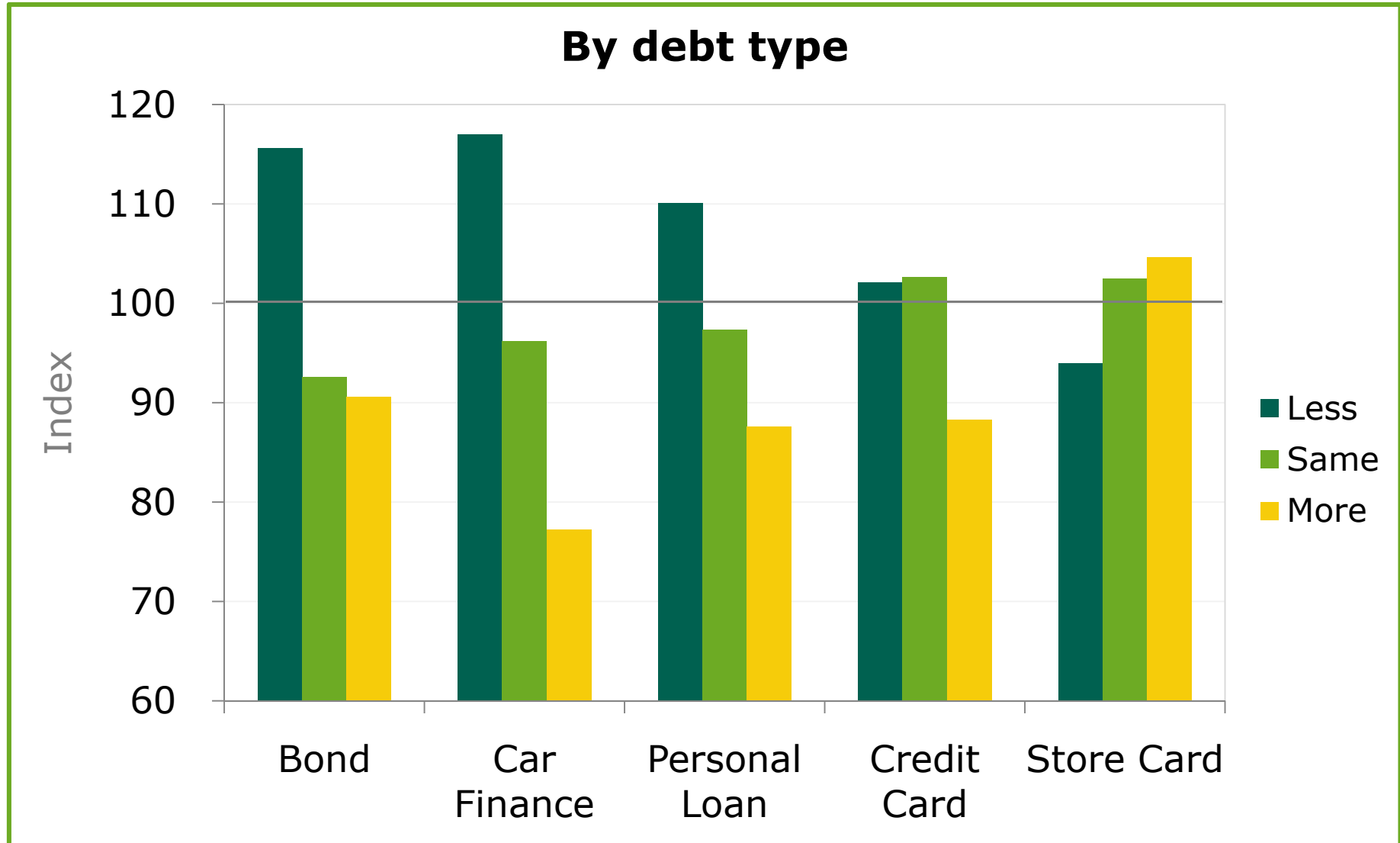
We've lost our balance



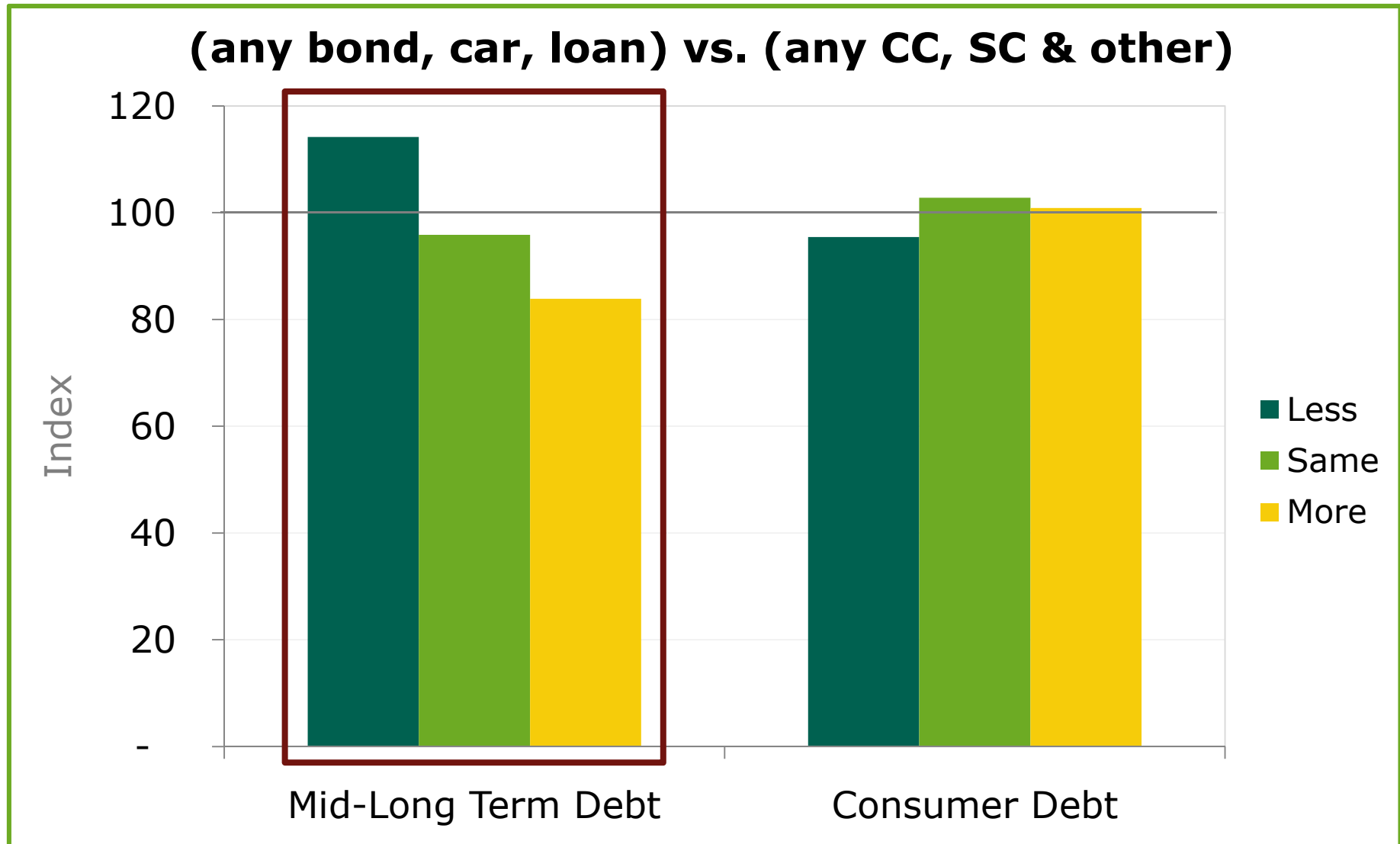
But we're a bit steadier



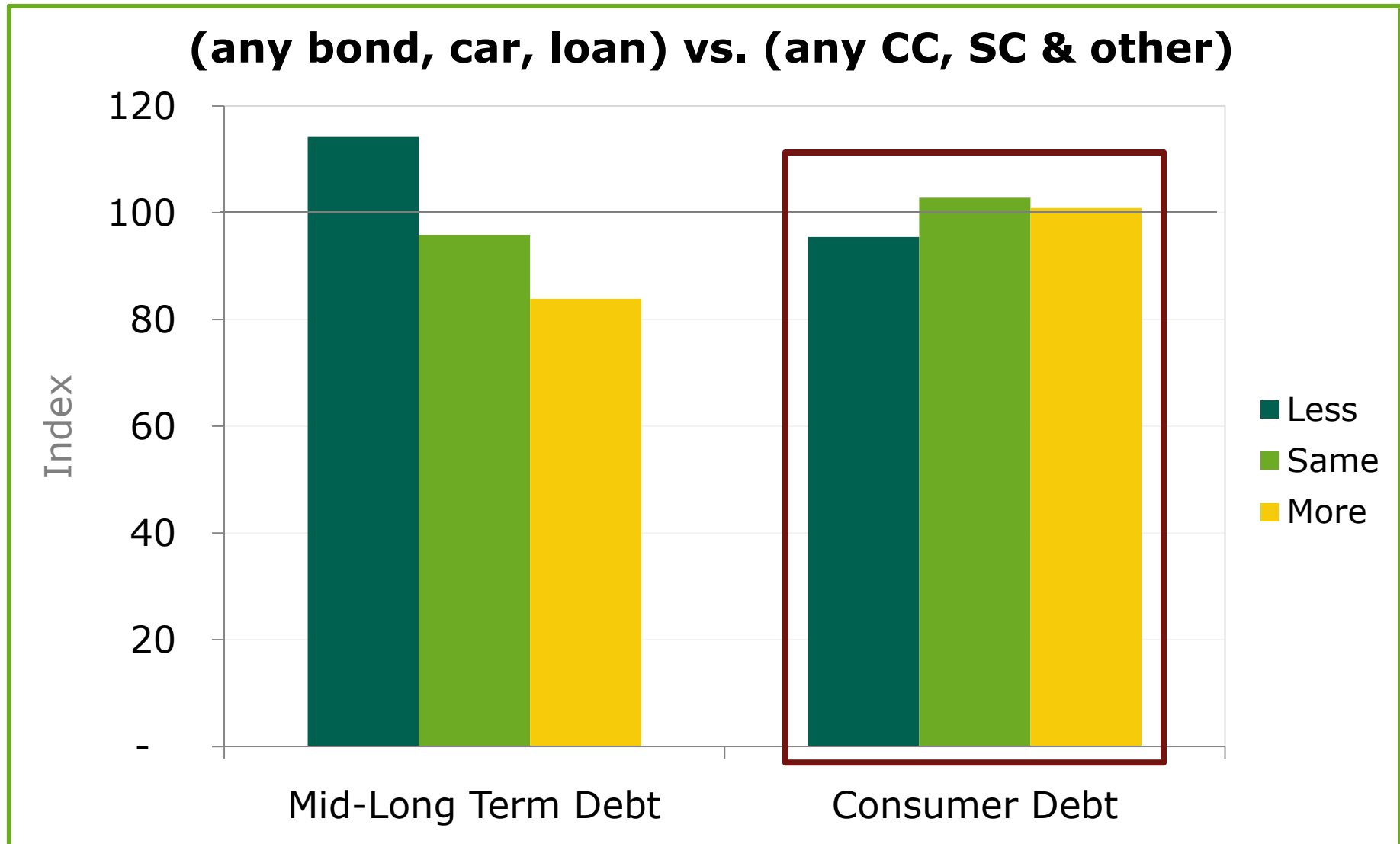
Debt is inhibiting savings



Driven by mid-long term debt



But fortunately not driven by consumer spending

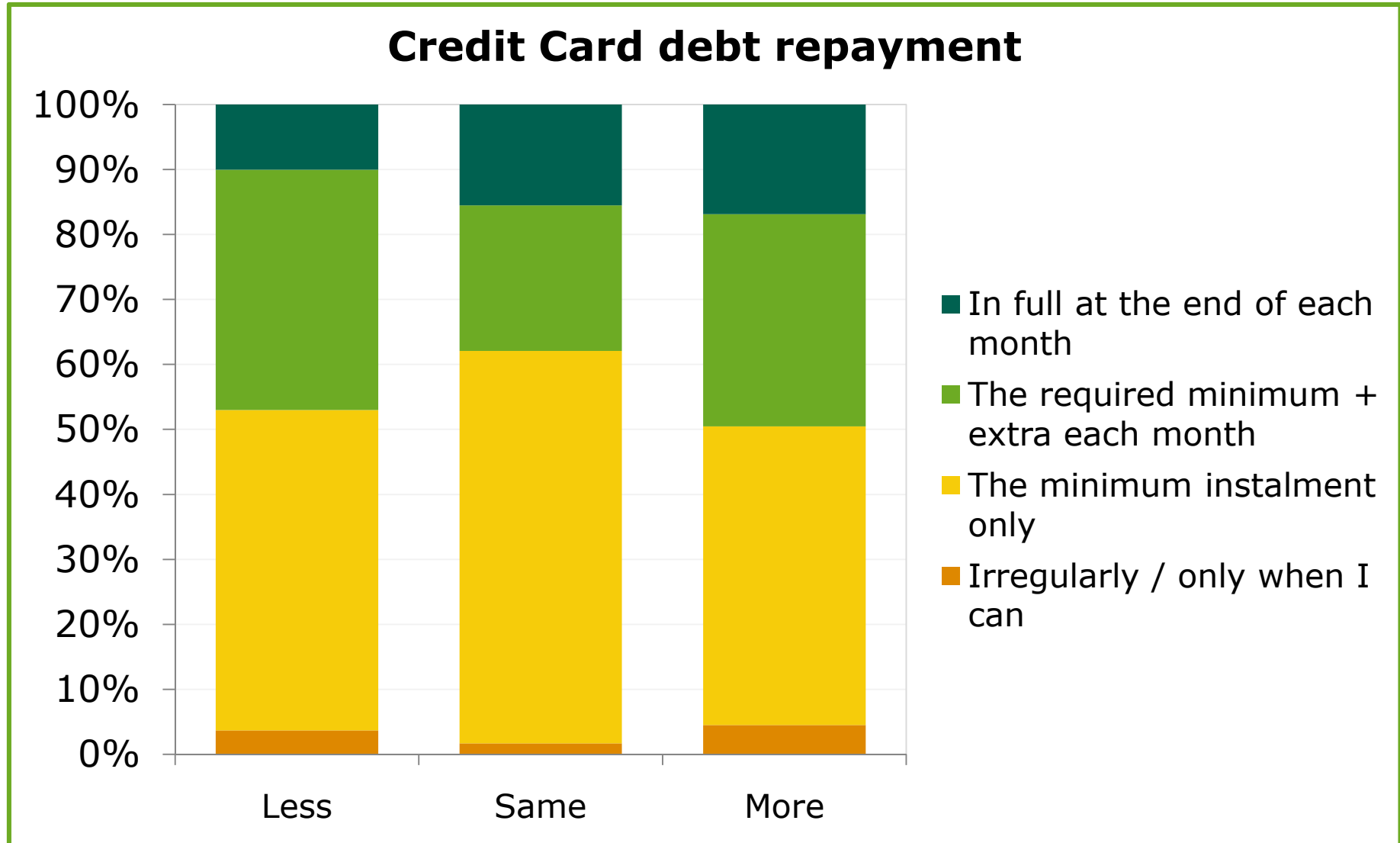




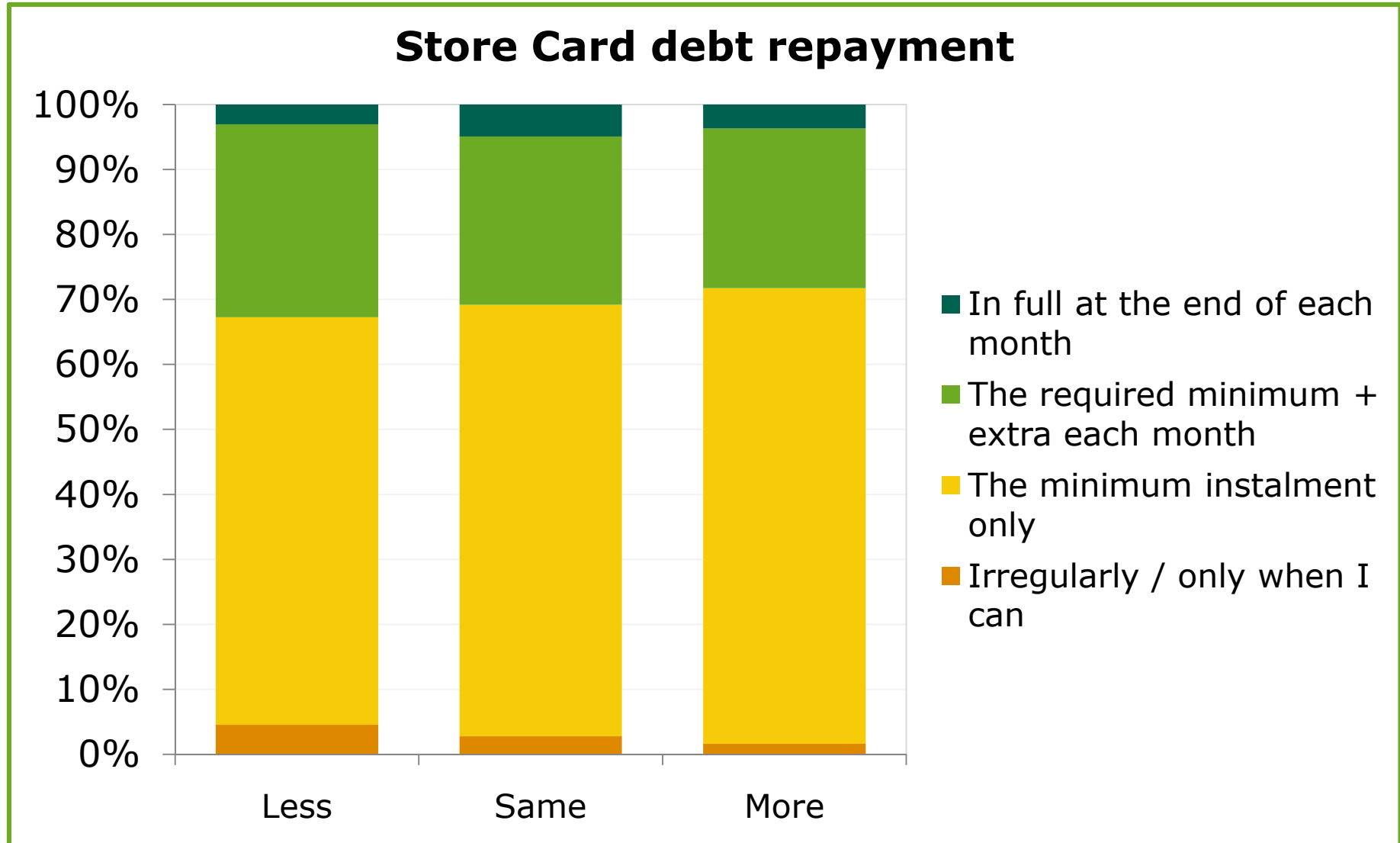
We're not saving more because we have too much mid-long term debt

but on the positive side we are servicing our debt, though at interest-bearing minimum levels

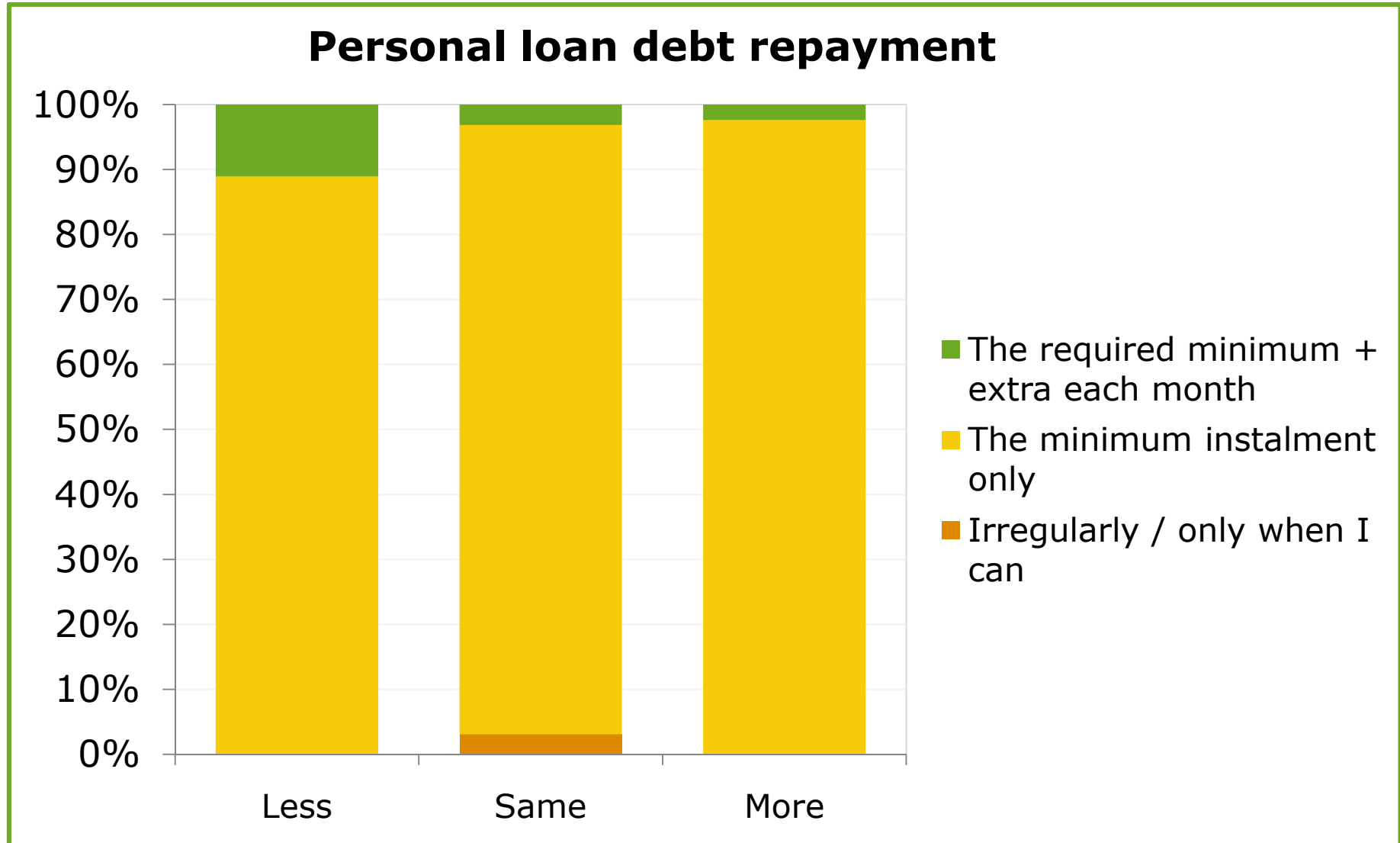
Repaying credit cards



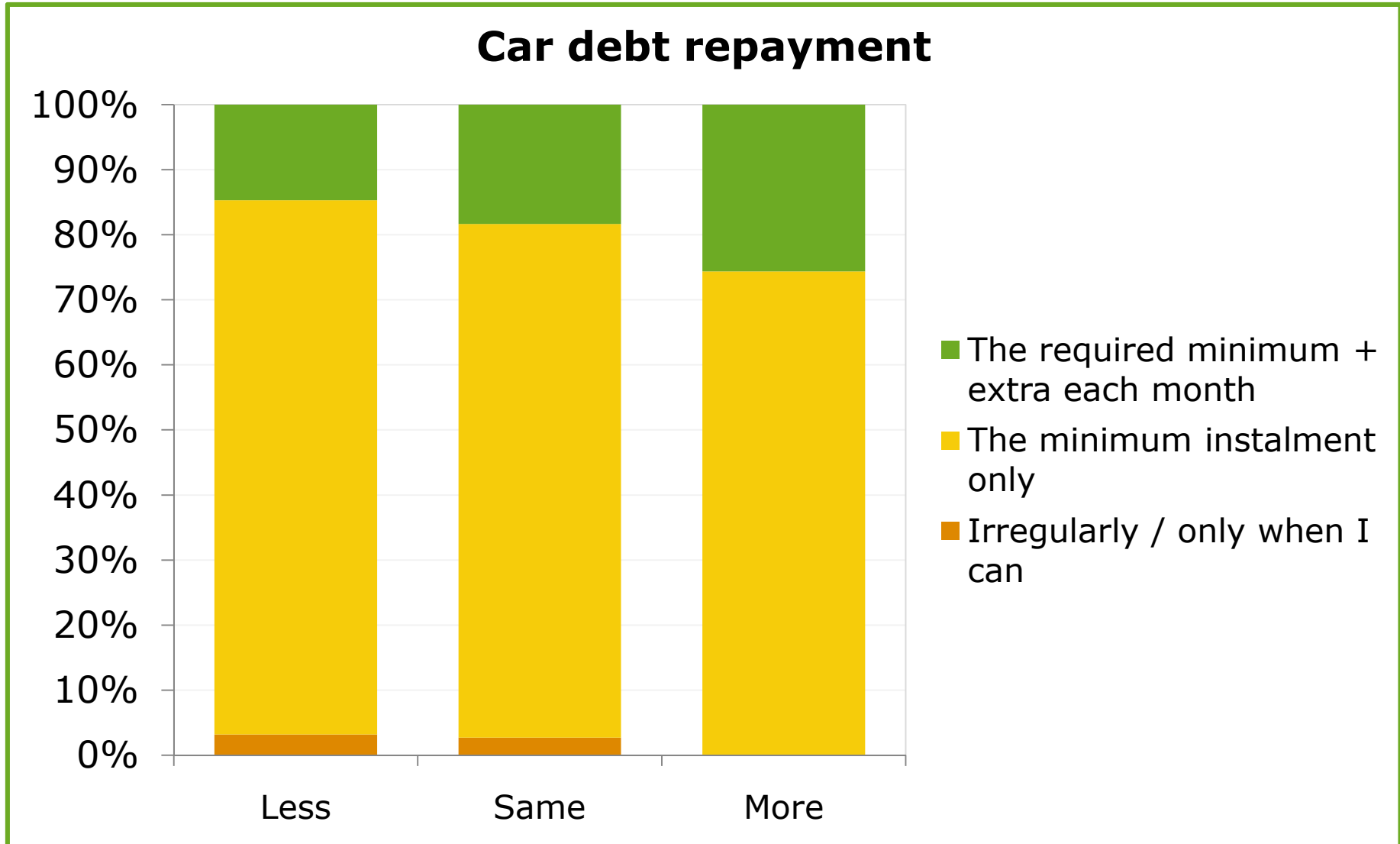
Repaying store cards



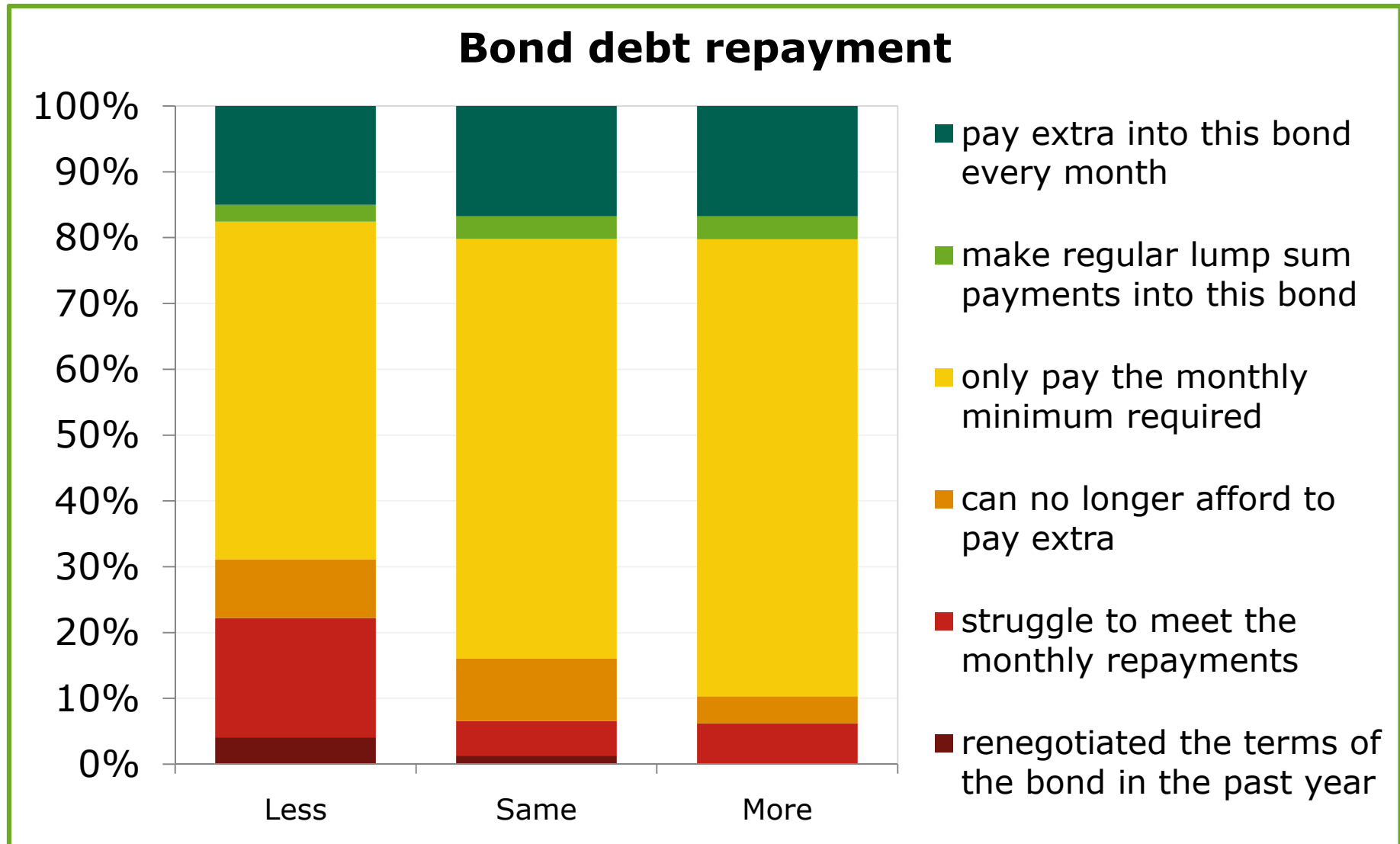
Repaying personal loans



Repaying car debt



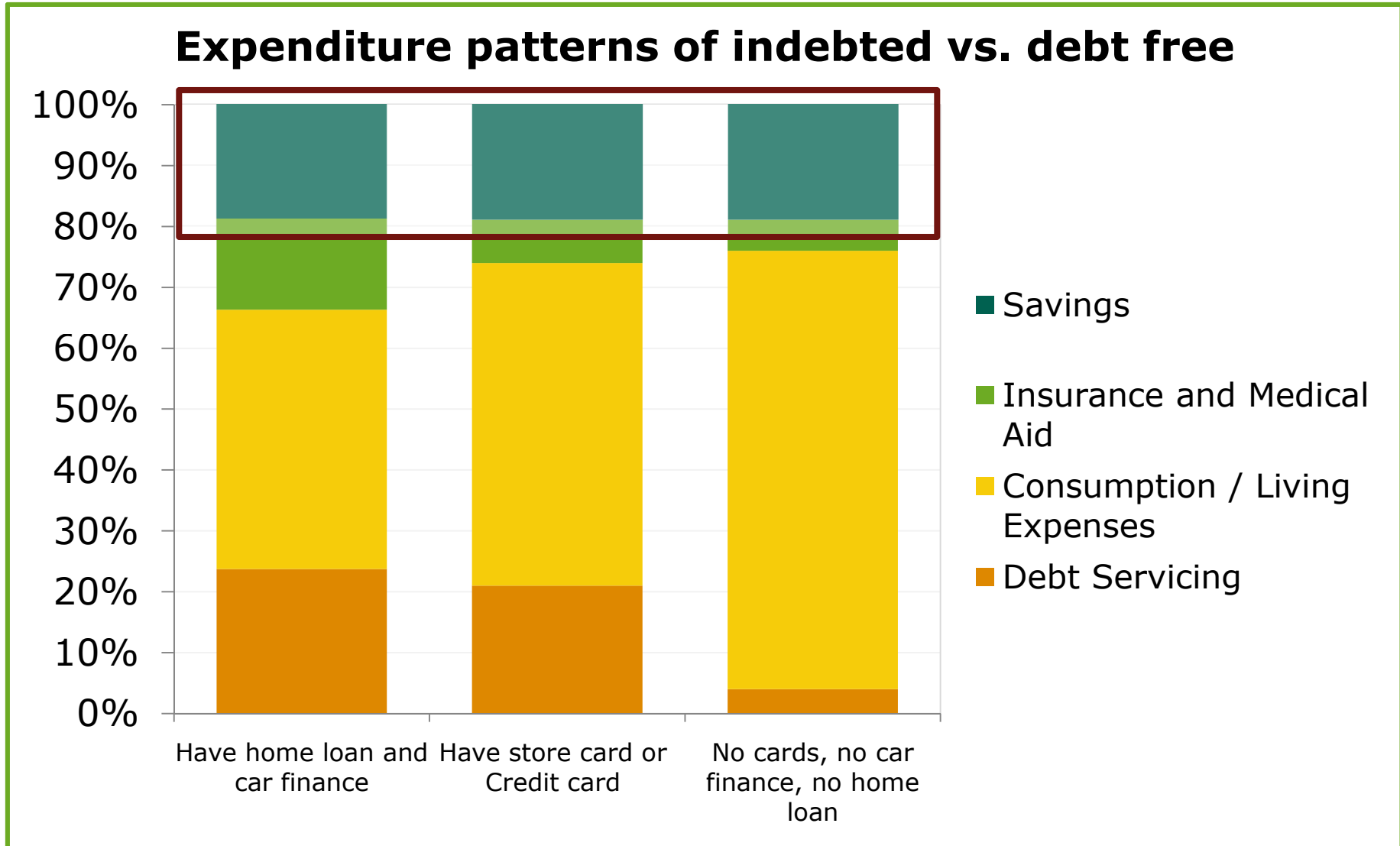
But bonds showing some strain





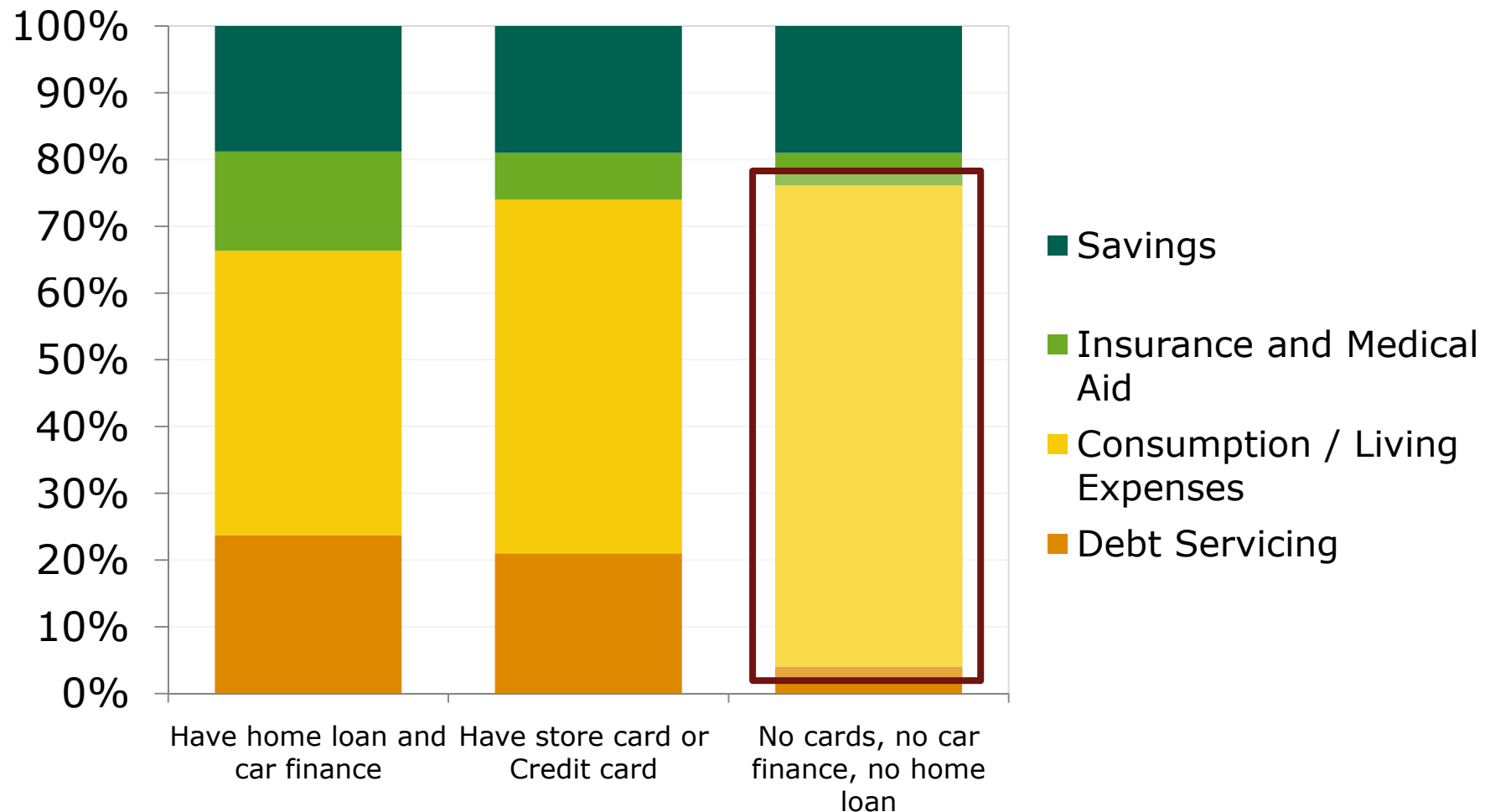
So if debt is the problem
then debt-free people should be
saving more, right?

But the un-indebted save no more



The 'potential saving' goes into living expenses

Expenditure patterns of indebted vs. debt free

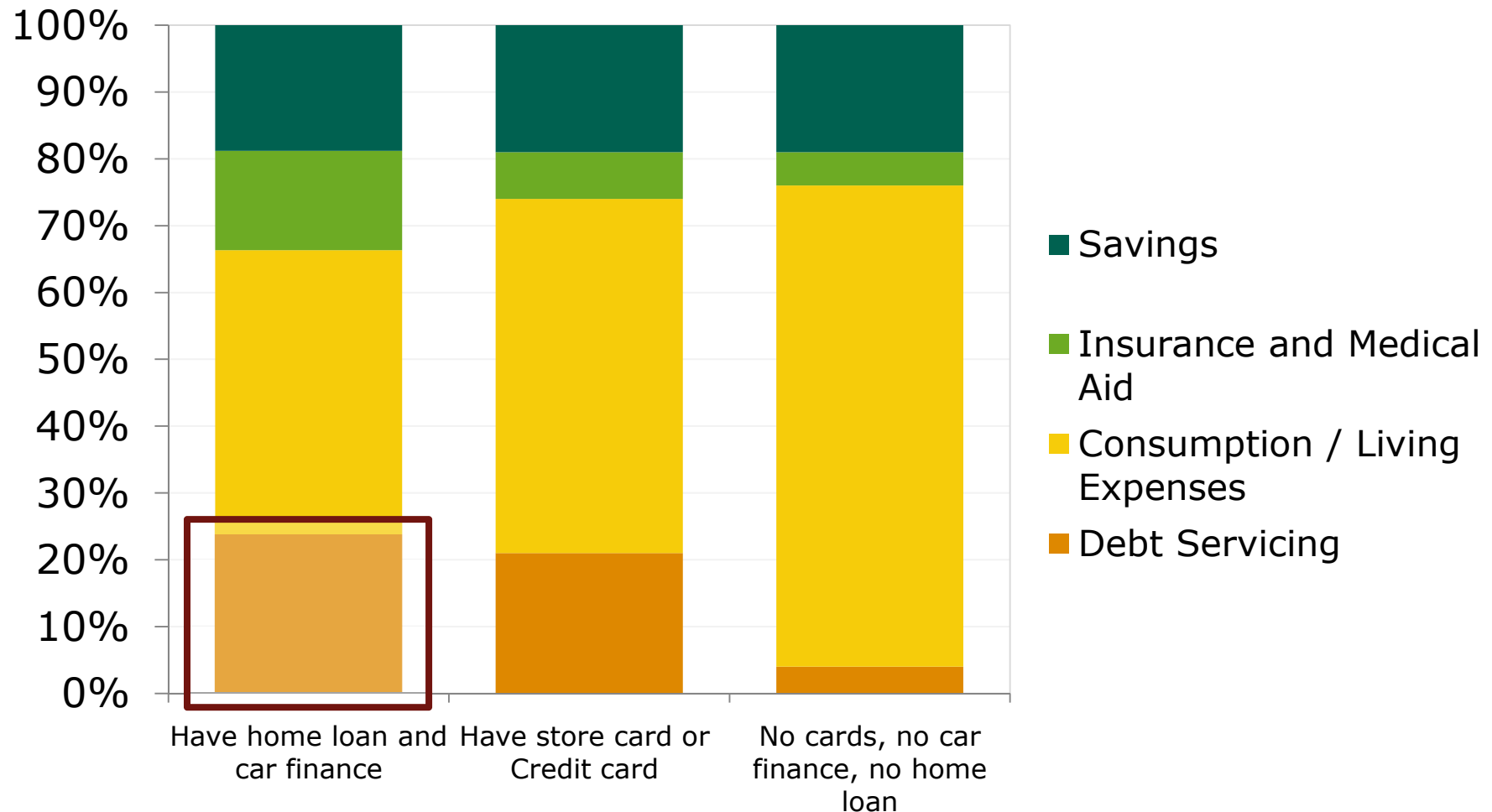




So if there is no difference in savings levels,
is it better to be indebted or un-indebted?

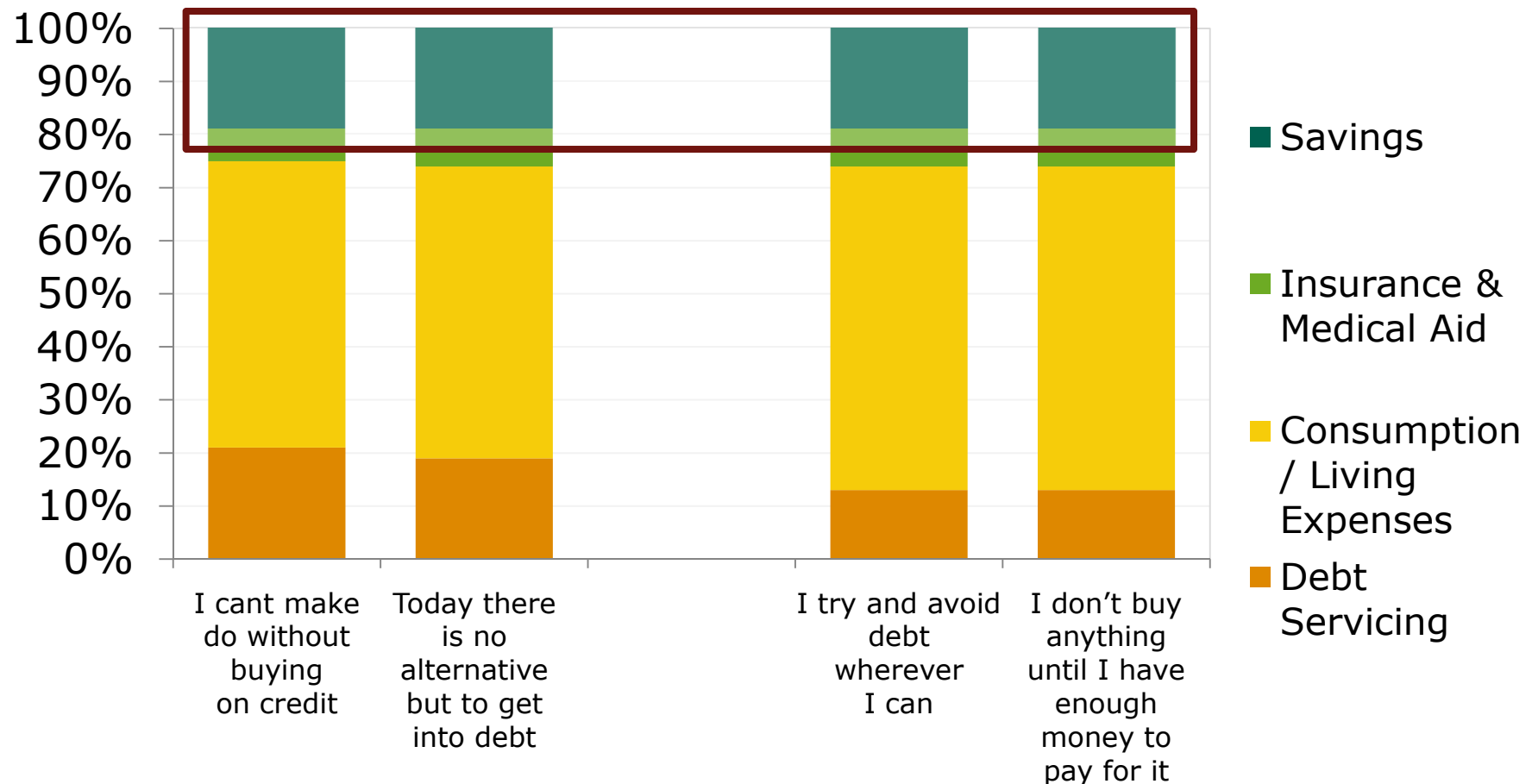
If you are paying-off a bond, then at least there is potential to grow your wealth

Expenditure patterns of indebted vs. debt free



Debt-averse people don't save more than pro-debt people

Expenditure patterns of pro - debt vs. debt adverse

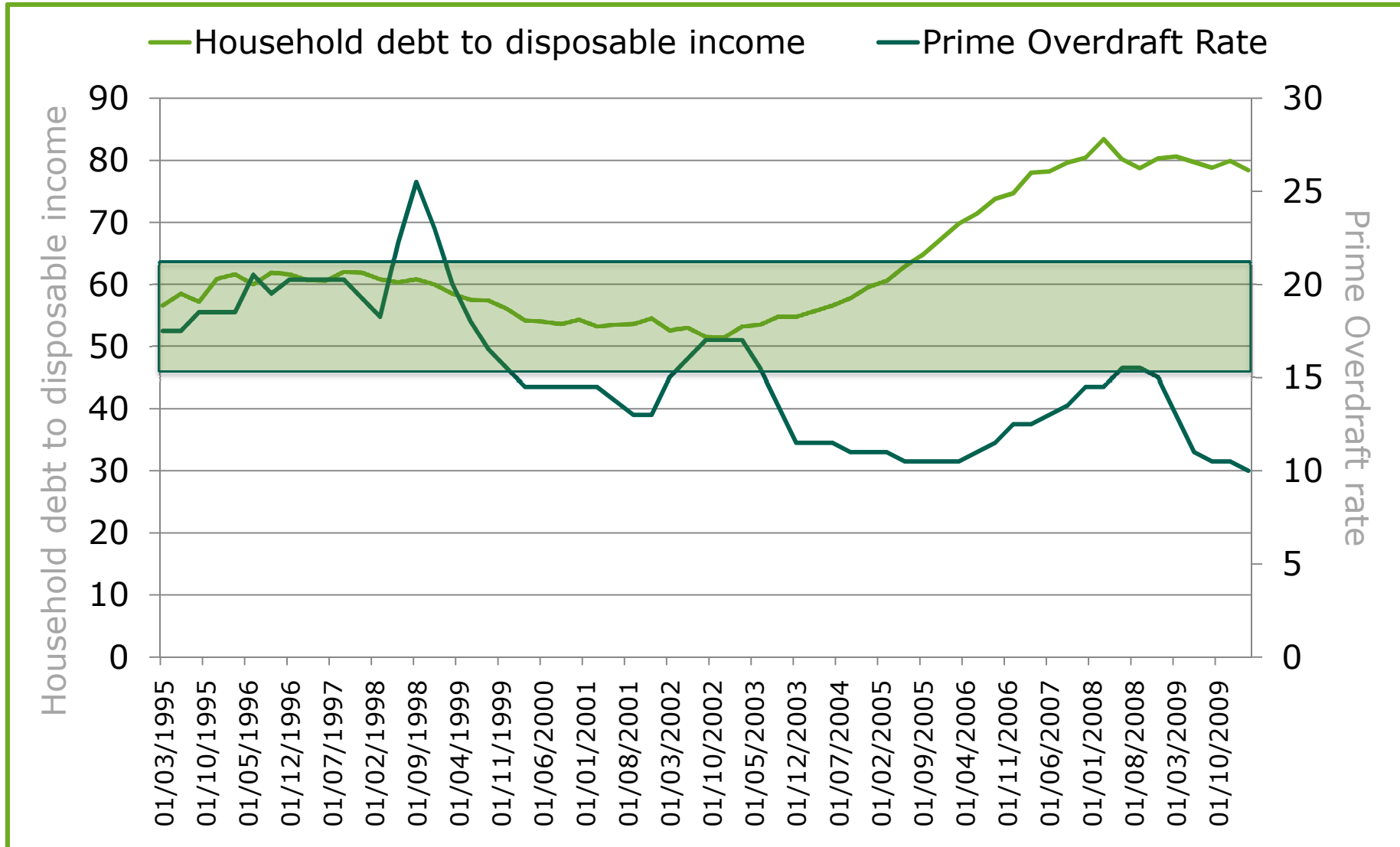




SO IS DEBT BAD OR GOOD?

- Debt is necessary for the accumulation of assets
- Debt is not the problem. Too much debt is the problem

It's going to take time, effort & wisdom to find our balance again

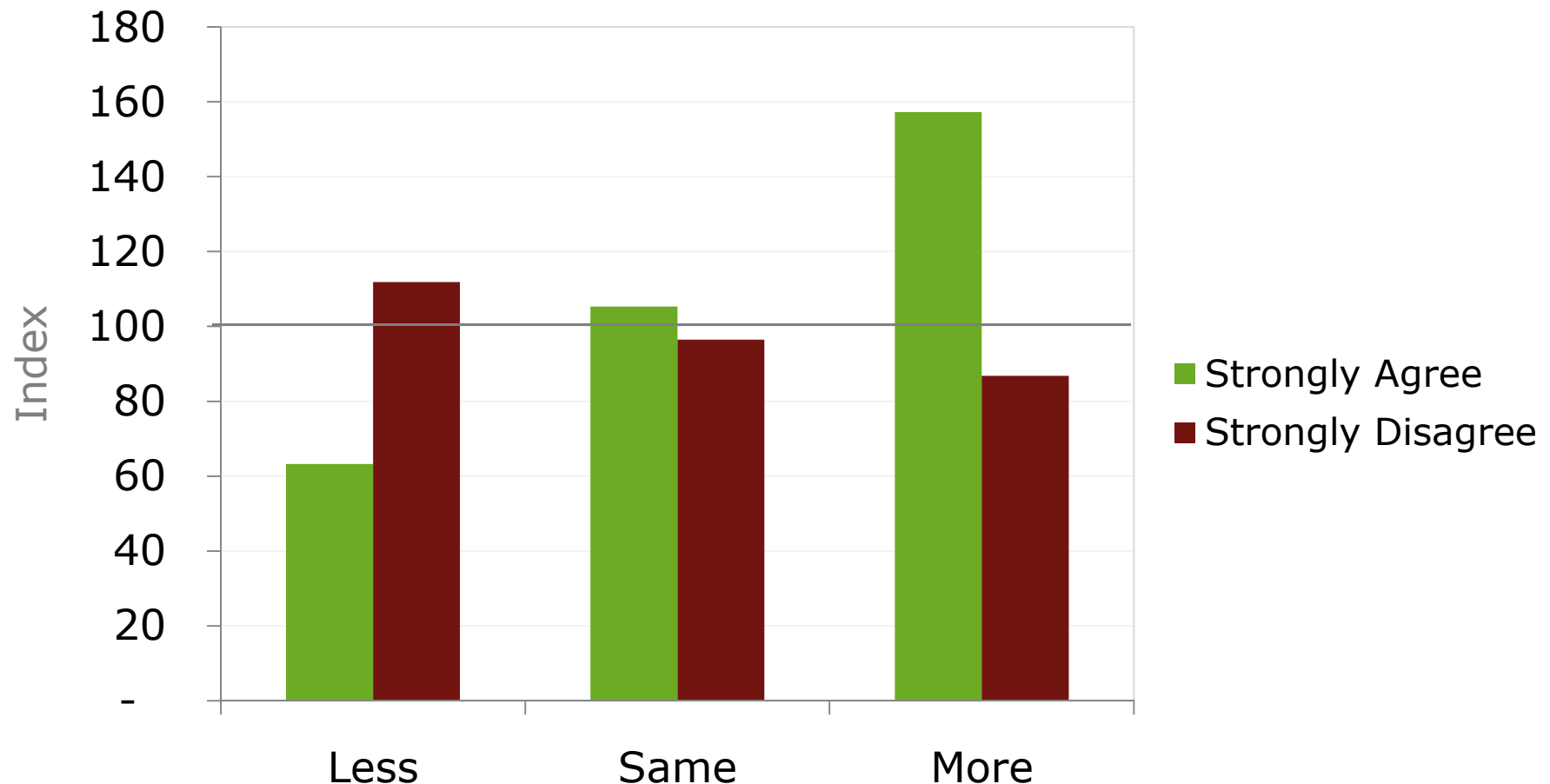




How can we save more
if we're in debt?

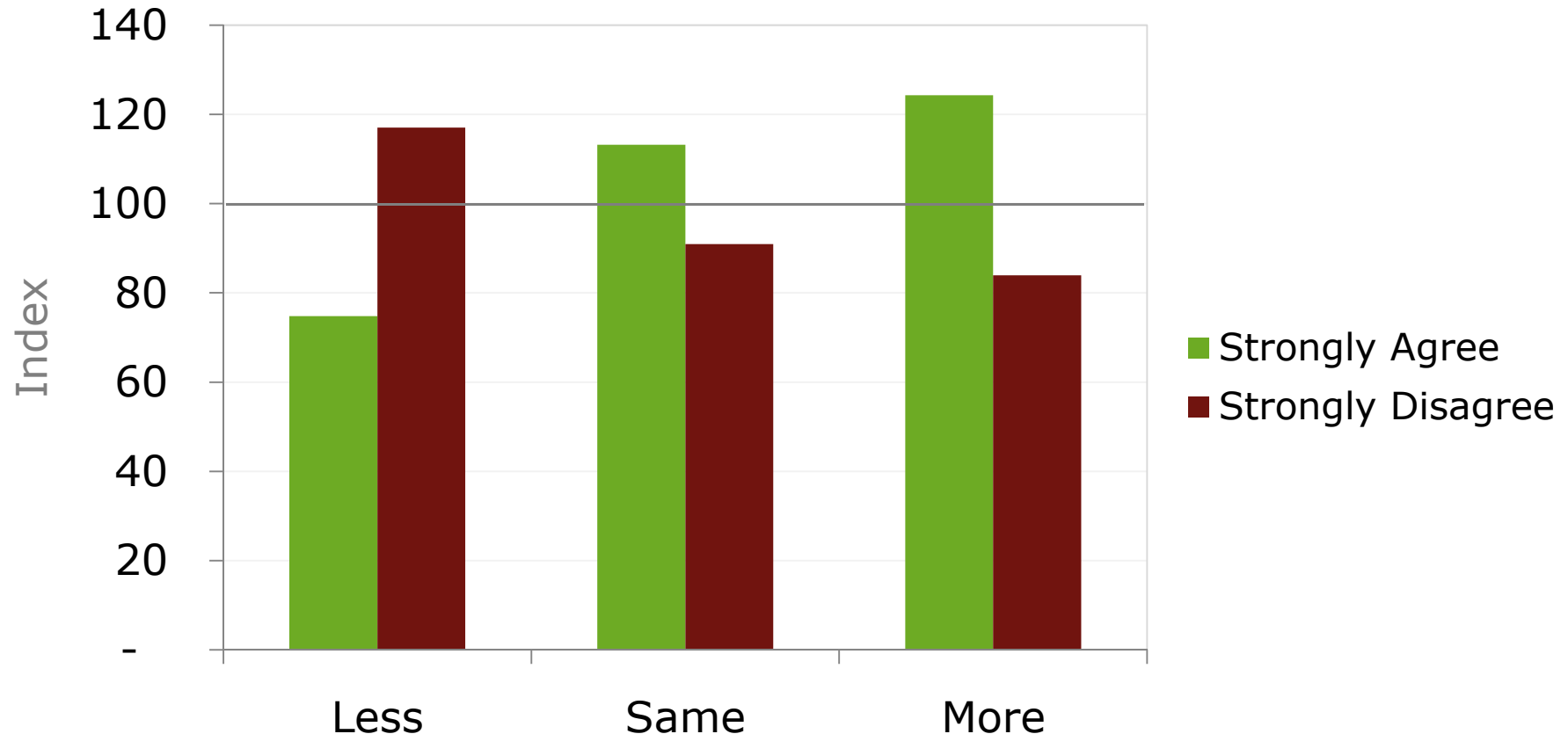
Escape the debt vice through planning

**“I actively plan my finance 5 – 10 yrs ahead”
(TOTAL MARKET)**



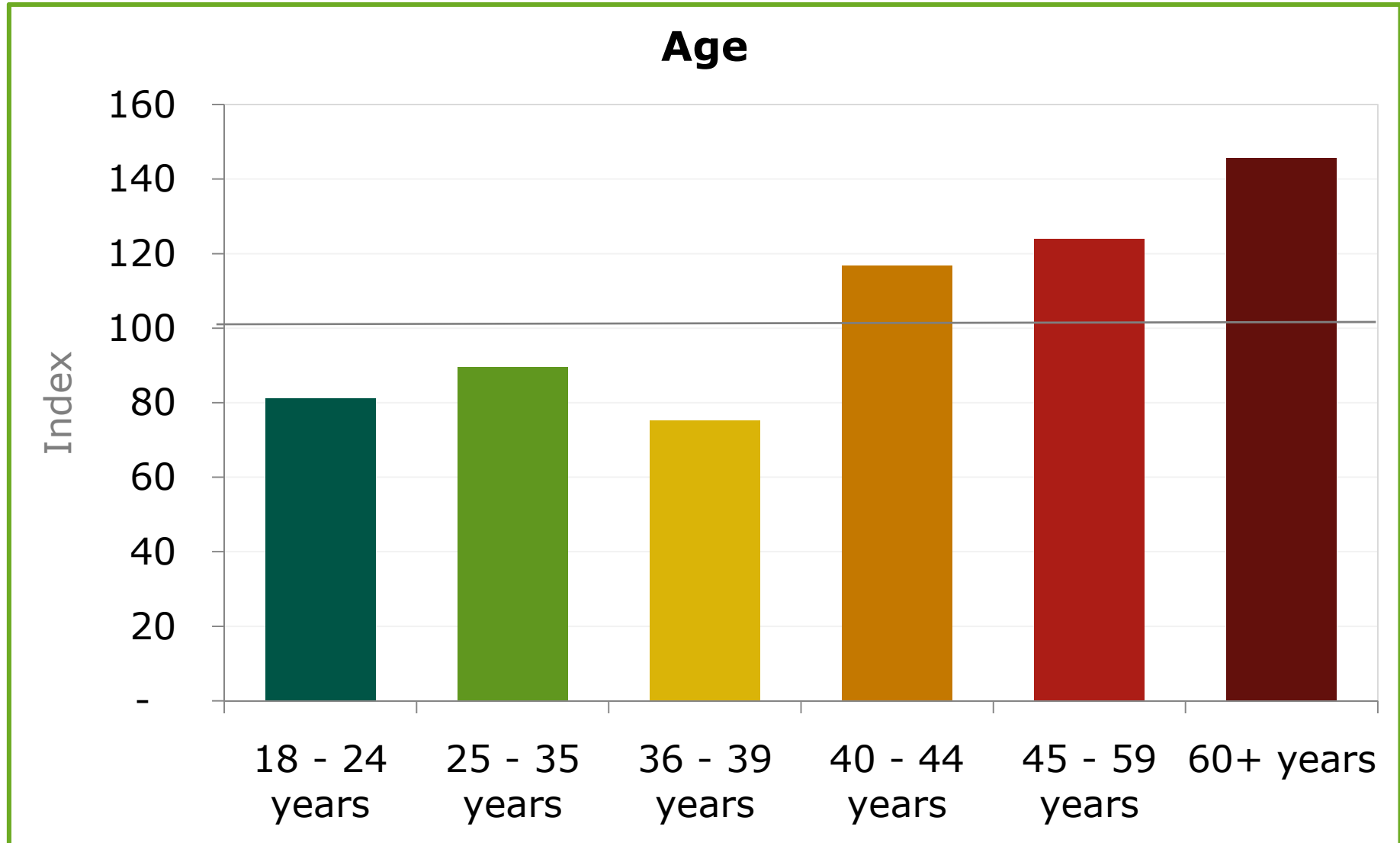
‘Indebted planners’ are saving more, despite debt

**“I actively plan my finance 5 – 10 yrs ahead”
(MID – LONG TERM DEBT)**

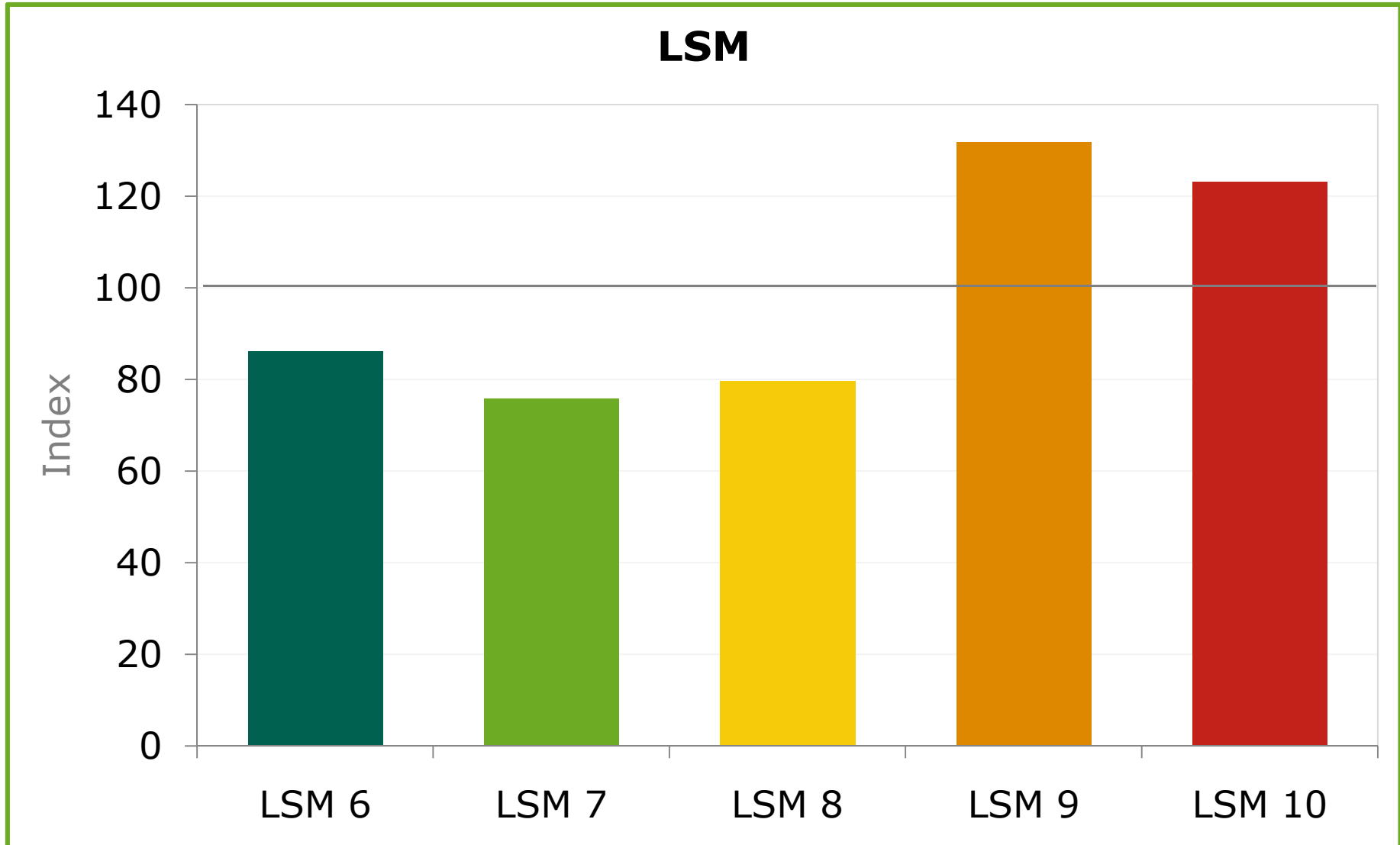


Profile of a ‘Planner’

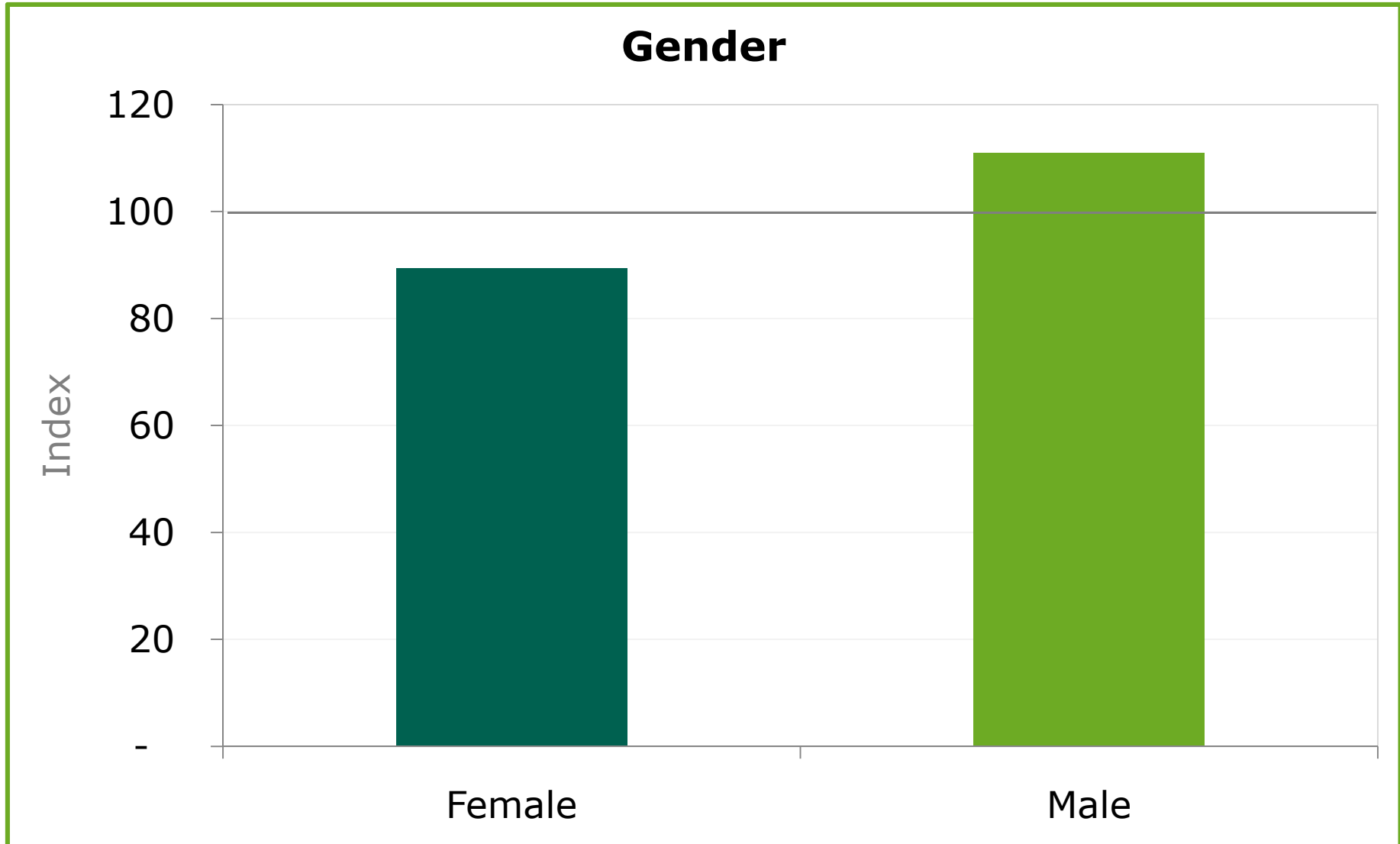
Older



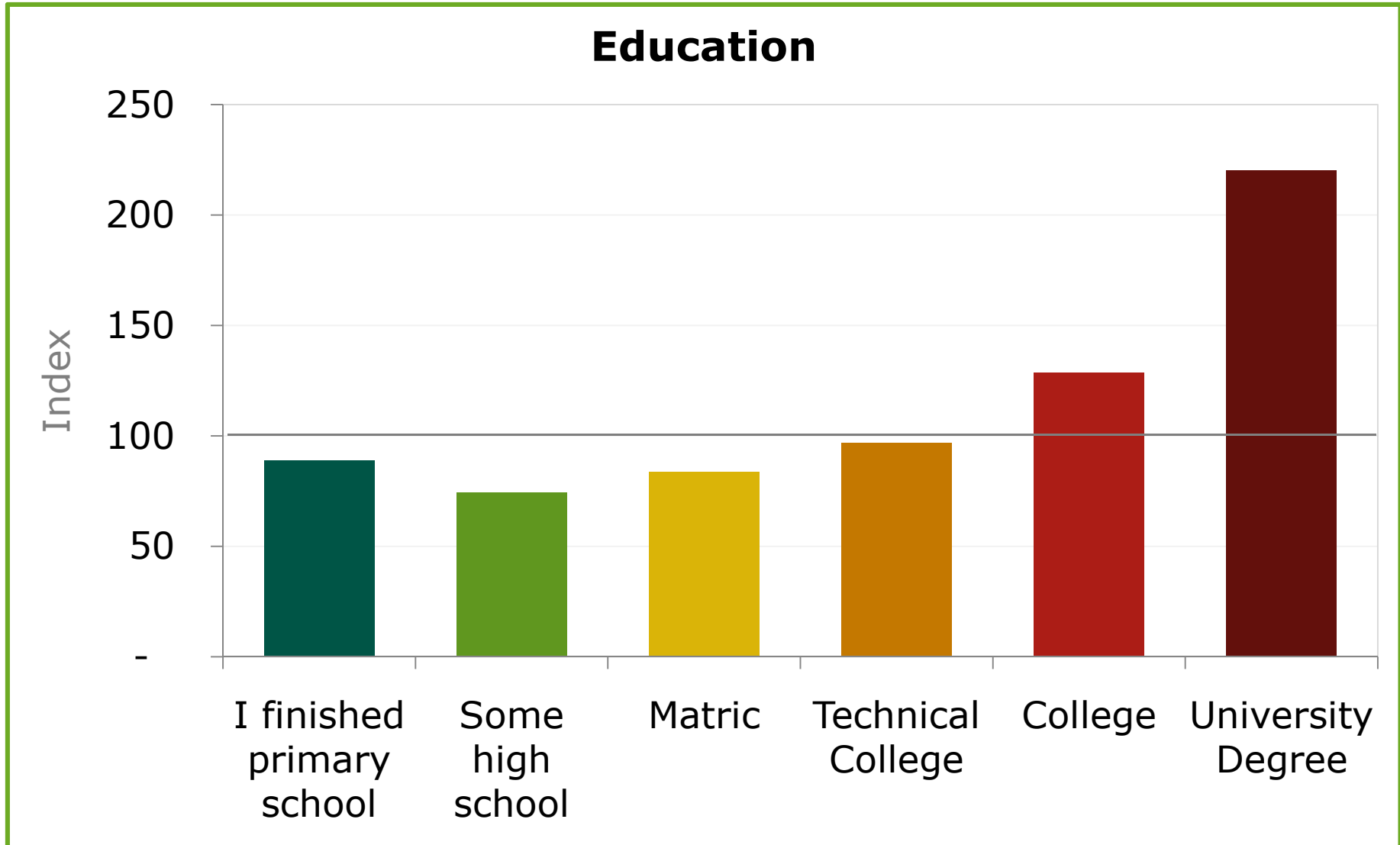
Upper LSM



Slight male skew



Very educated





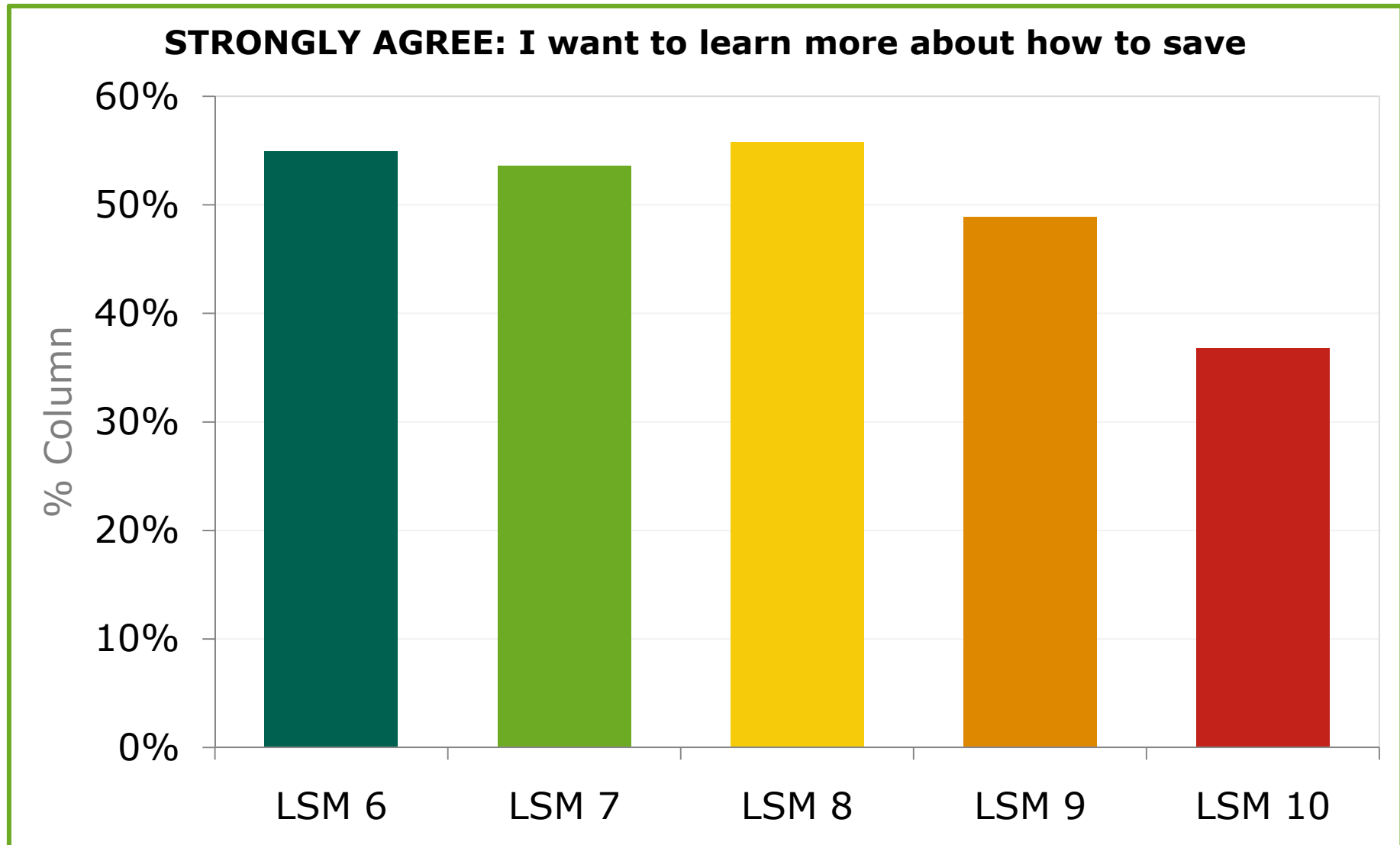
Good planners are mature and sophisticated

The challenge is to spread this skill to a broader audience



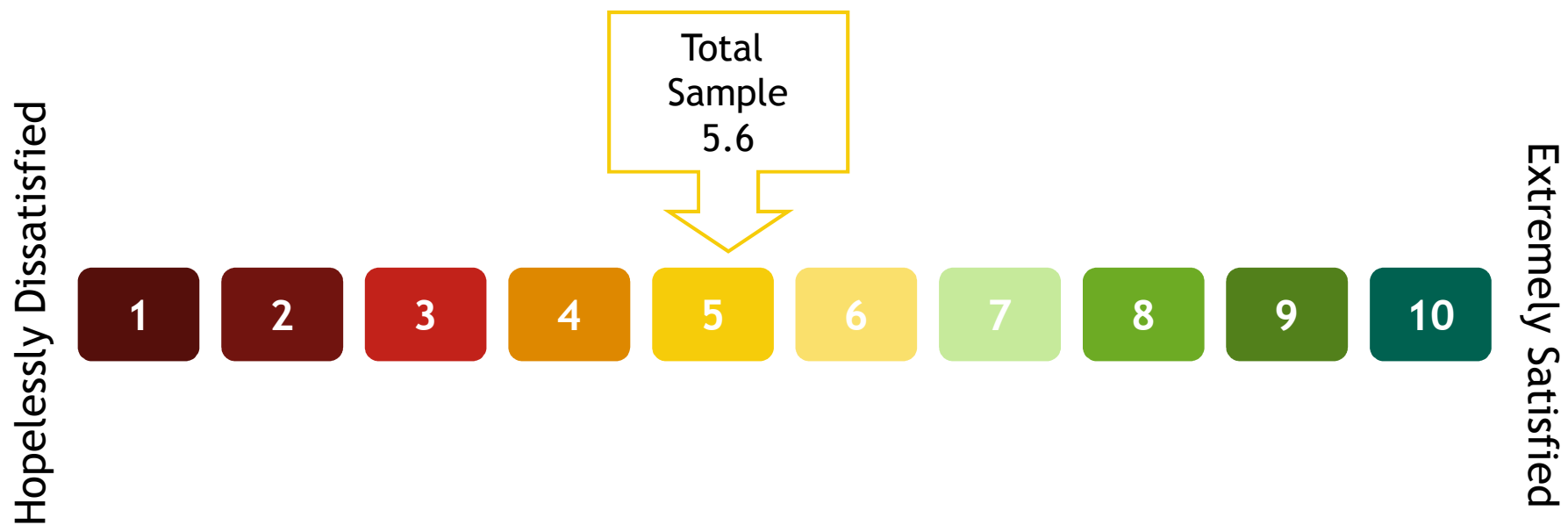
How can we help South Africans save more?

Hunger for savings knowledge



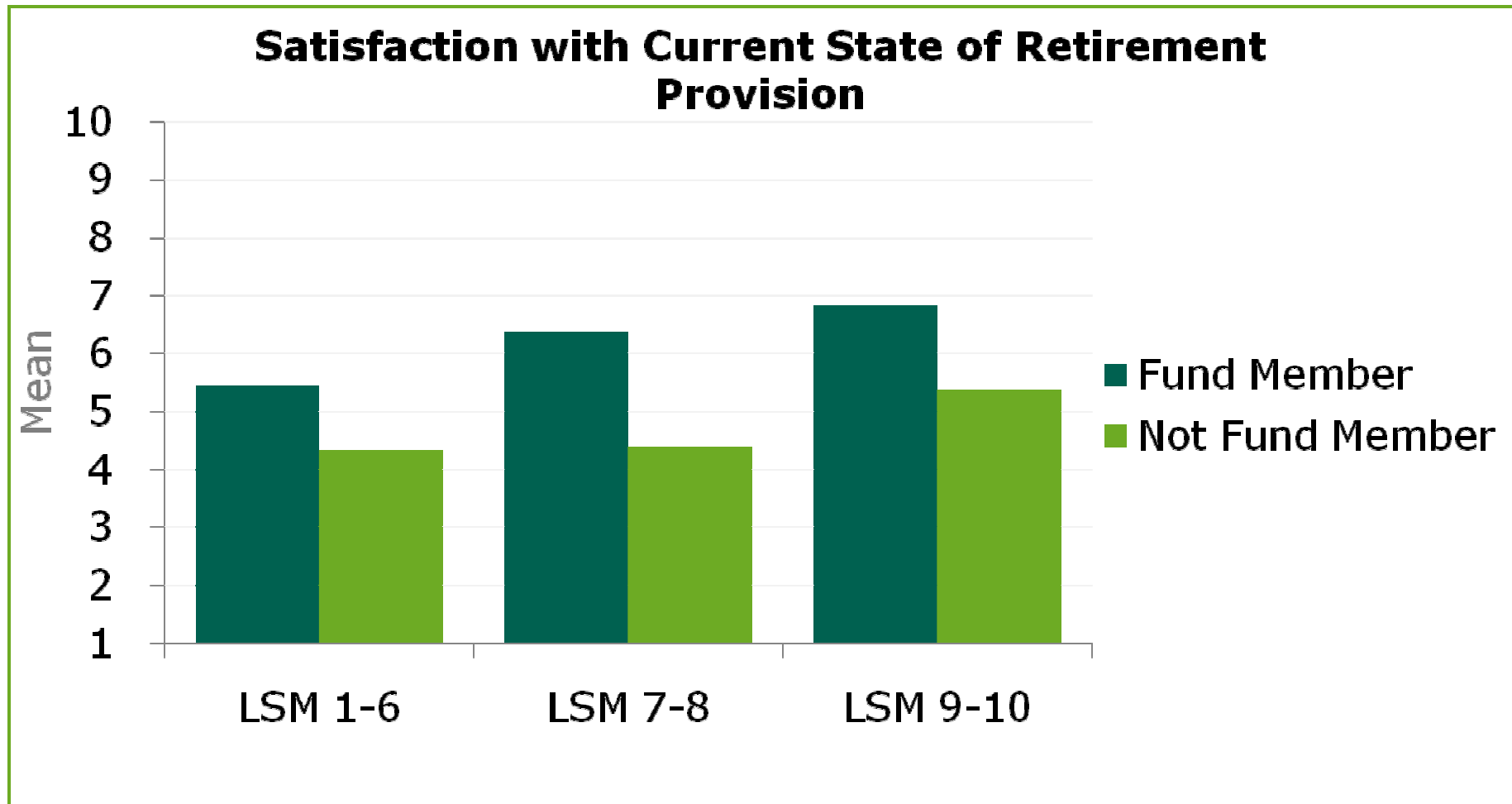
Confidence levels are not strong

How confident are you that you have adequately saved for your retirement?



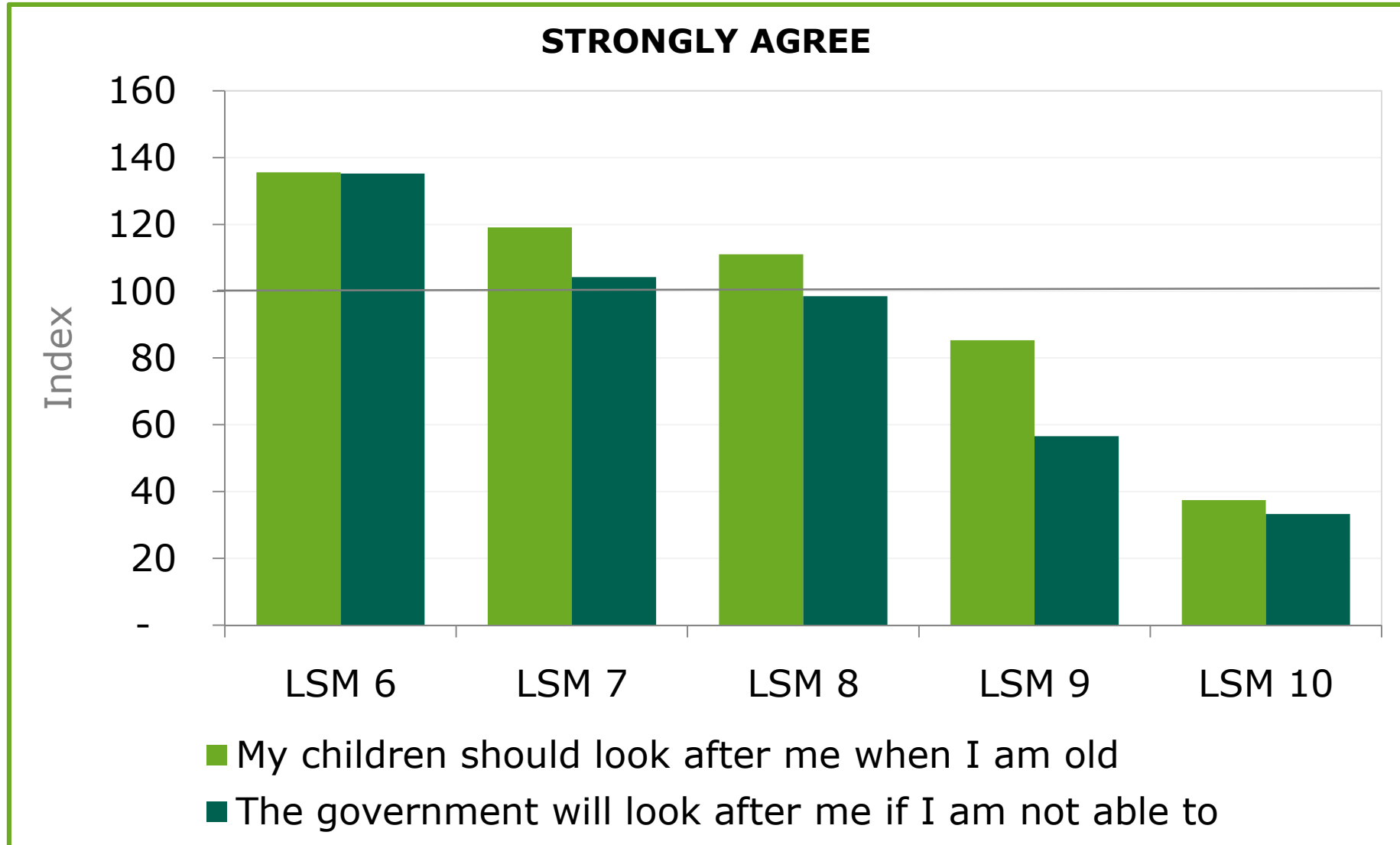
The Old Mutual Retirement Monitor (2010)

Confidence low in lower LSMs



The Old Mutual Retirement Monitor (2010)

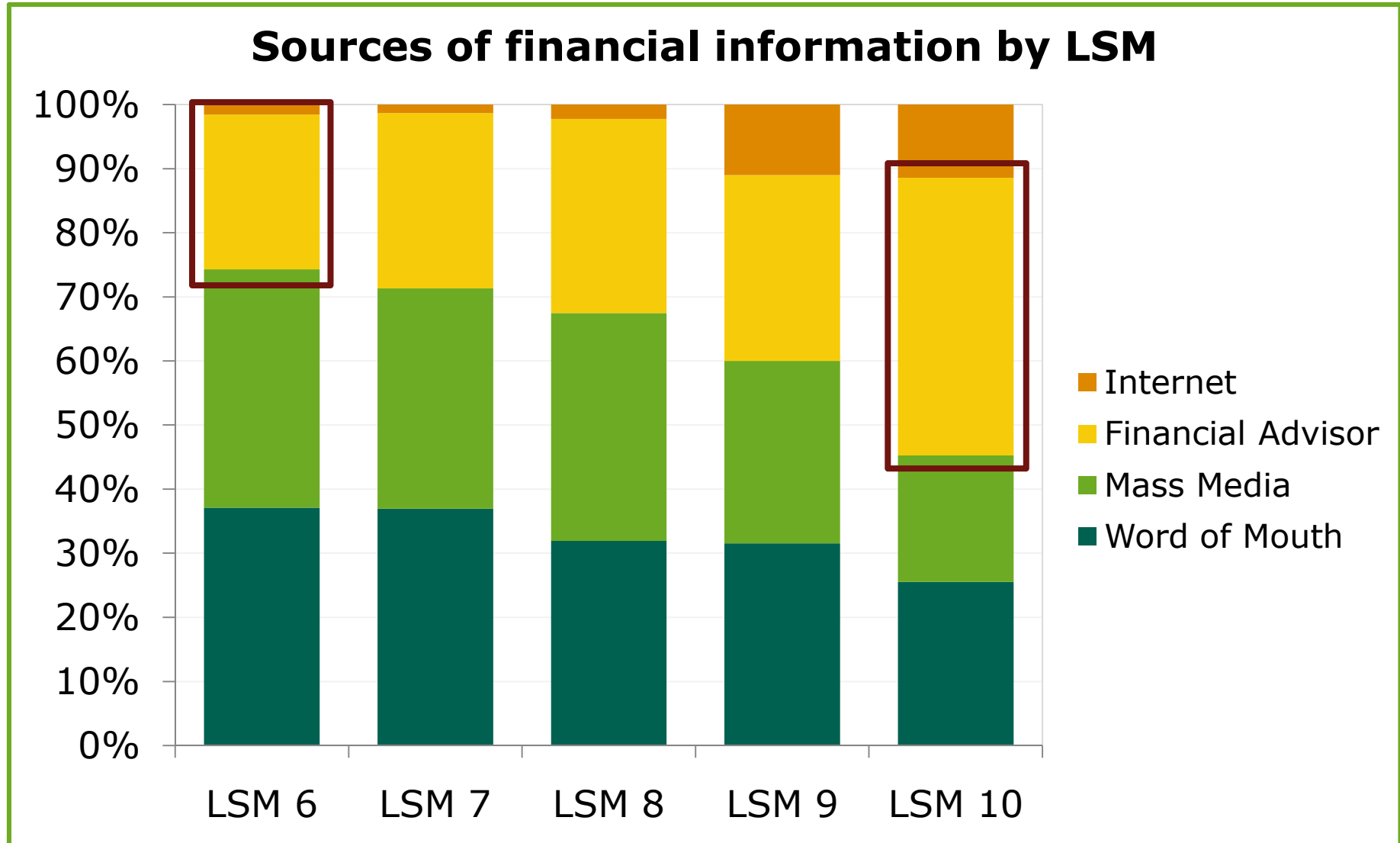
Lower LSM's reliant on others for retirement





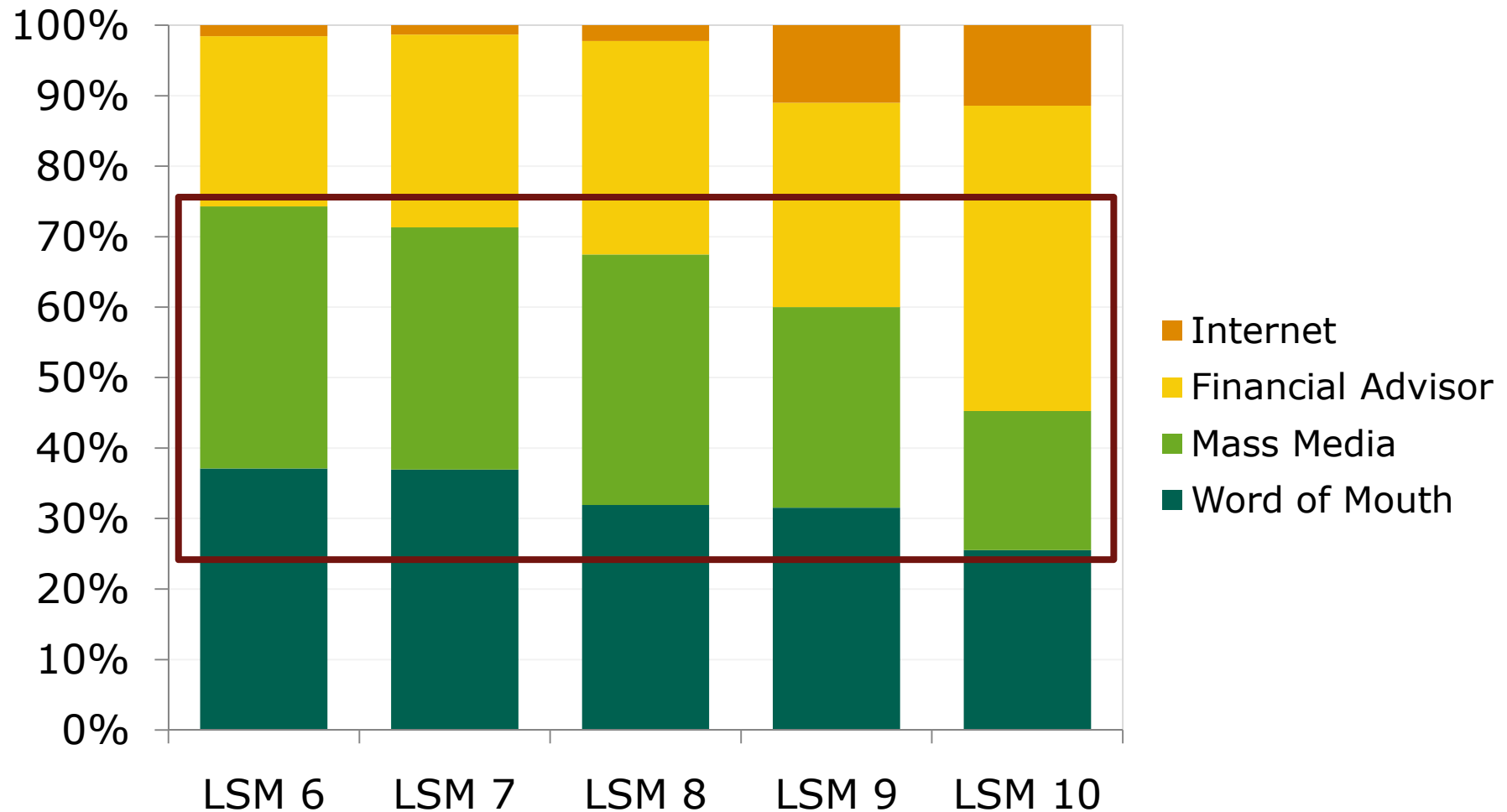
We want to know more
We don't feel too confident
So, where do we turn?

Upper LSMs make more use of experts



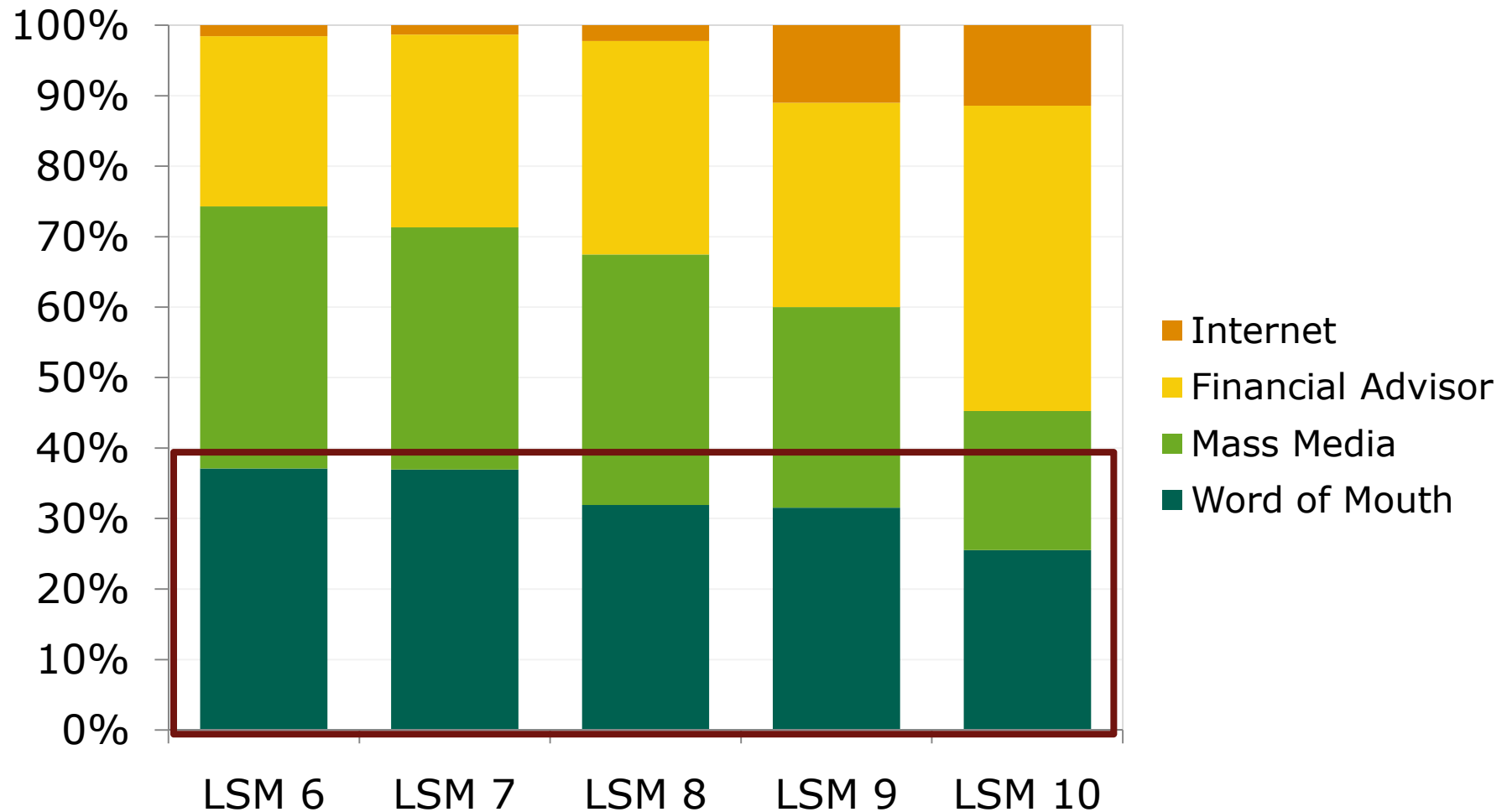
Mass media has a significant role to play

Sources of financial information by LSM



But word-of-mouth matters most (for lower LSM's)

Sources of financial information by LSM



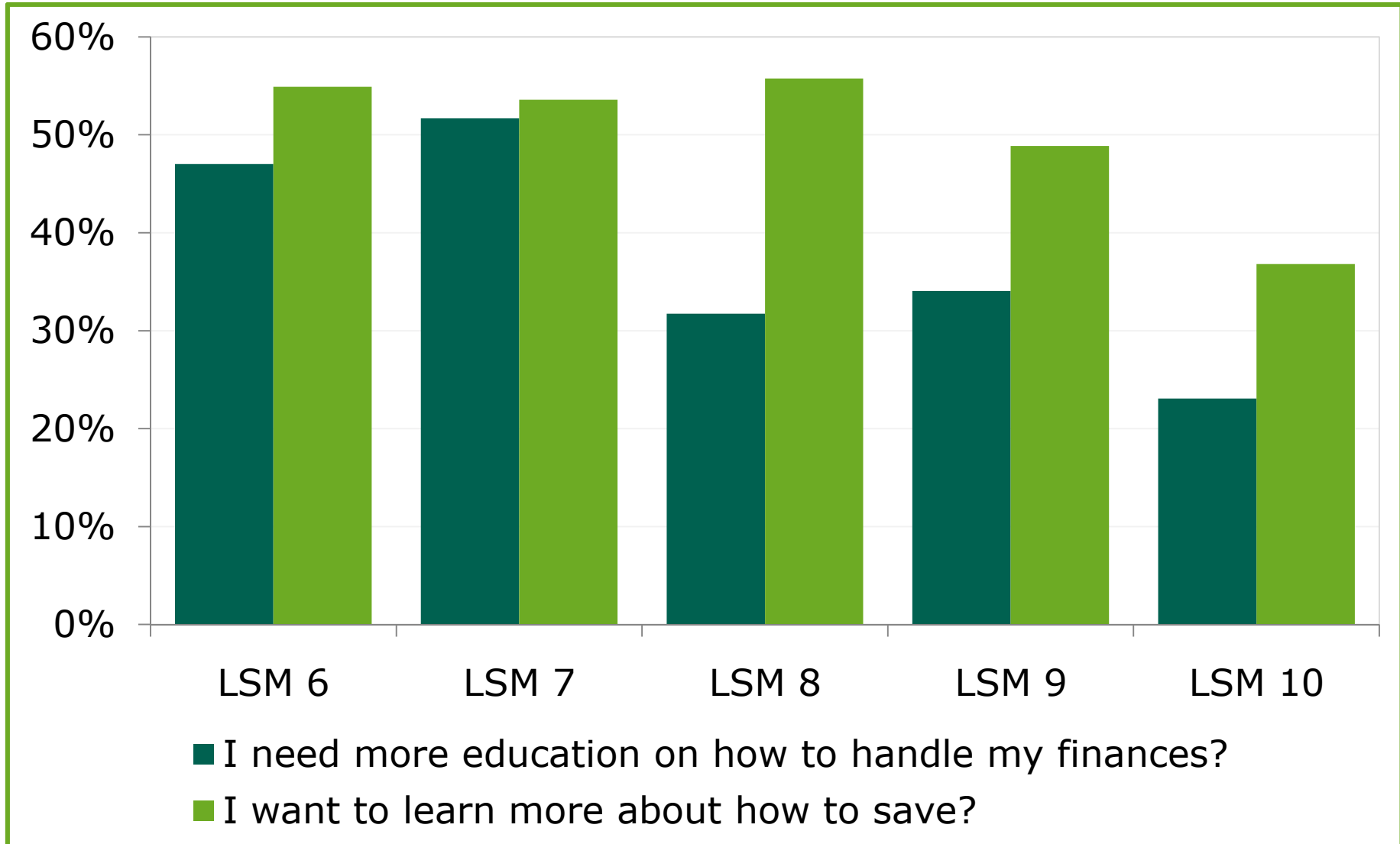


How do experts become more accessible to people?

How can we harness mass media better?

How can we facilitate the right conversations?

The issue of “Education”



Upper LSMs want ‘to learn’, but don’t want ‘to be educated’ ...

This suggests that the tone in which help is offered is important

People don’t want to feel ignorant
They want to feel in control

How to speak to lower LSMs

- Speak my language
- Share my culture
- Be mature and wise
- Be caring and supportive
- Treat me with respect
- Give me face-to-face guidance and assurance

How to speak to higher LSMs

- Manage my portfolio
- Give clear advice that I can understand
- Inspire and motivate me
- Be knowledgeable and up to date on latest developments
- Look and act professionally



Conclusion

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- South Africans are not saving significantly more than a year ago
- High levels of mid-long term debt are inhibiting greater saving
- We are servicing our debt, but at the minimum levels
- People who are not highly indebted, are still not saving, suggesting a lack of savings culture

Conclusion

- People who plan ahead, even if they have debt, are managing to service debt and save
- South Africans want to know more about saving
- Key challenges are broadening the reach of experts, harnessing mass media & facilitating the right conversations
- Finally, people want to be helped, but not patronized or intimidated



Key Message

Plan at least 5-10 years
in advance



Thank You

do great things

