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## Saving against the storm

This year, South Africans found themselves in a very different economic climate compared to last year. Despite this economic environment, South Africans still managed to show an interest in saving money and providing for their retirements. Overall, savings, in both the formal and informal sectors increased.

### Attitudes to savings and investments

Overall perceptions and attitudes towards savings remained relatively static from 2007 to 2008. This indicates that South Africans have consistently recognised the need to save money. Sixty-nine percent of people believe that if one saves and invests regularly, eventually the small amounts will add up. This shows an understanding of the general principle of saving and investing money. Twenty-nine percent of people have a good idea of what interest or returns they get on their investments, indicating they either understand or take an interest in their savings and keep up to date with interest rates that affect their investments. These pro-savings sentiments are more prevalent among whites, Indians/Asians and people in the higher LSMs<sup>1</sup> (7-10).

Although most attitudes towards savings and investments remained static since 2007, this year people seem to be more concerned about saving money for old age. In 2008, 55% of people were worried about having enough money for old age, compared to 46% in 2007. The increase in concern may be due to a general lack of funds or spare cash as a result of the economic climate. People in KwaZulu-Natal and in Gauteng seem to be more concerned about having enough money for retirement than people in other provinces.

Further attitudes to savings-related questions can be shown as follows:

	2007	2008
To get ahead in life, one needs to take some risks	66%	67%
You prefer to save where your money is safe, even if the interest rate or return is a little lower	57%	58%
You try to save regularly	50%	50%
You don't trust informal associations like stokvels or umgalelos or savings clubs	39%	35%
You are saving for something specific, for example, an education, a holiday, an appliance or furniture	29%	28%
You go without things so you can save	23%	26%

<sup>1</sup> LSM or Living Standards Measure is a categorisation ranging from 1 to 10 used extensively by marketers and advertisers as a means to segment the population. It is crude proxy for wealth, with the lower LSM groups comprising the most impoverished end of the spectrum. LSM figures are based on the 2005 algorithm.

## What savings and investment products do South Africans have?

In 2008, 28% of South Africans had some sort of savings or retirement product, whether formal or informal. The most common reason for saving money was in case of an emergency. A significant percentage of people also said that they were saving, but not for anything in particular.

From the table below, results indicate that, most South Africans who have a retirement or pension plan are white and few are black:

	Total %	Black %	Coloured %	Asian %	White %
Retirement annuity	6	4	4	14	25
Provident fund	6	4	7	14	16
Pension fund	9	5	11	16	30

Although South Africans seemed to be worried about providing for their old age, there is not a marked increase in their provisions towards saving for retirement. In both 2007 and 2008, only 13% of people had some sort of retirement plan. In 2008, the main reasons that people cite for not having a pension or retirement plan are not having a job (48%), not having money to invest (32%), or never having thought about it (9%). Amongst the higher income band, 29% of people earning R4 000 to R7 999 and who don't have retirement products claim that the reason is because they have not thought about these products. Around one in 10 people earning R8 000 or more and who do not have retirement products do not feel that the benefits are attractive enough. Worryingly, 16% of people earning R4 000 to R7 999, people who one would expect to be more astute about savings benefits, claim not to like retirement savings.

Formal investments show a slight increase from 8% in 2007 to 10% in 2008.

From the table below, results indicate that most South Africans who have a formal investment product are white and Indian/Asian.

	Total %	Black %	Coloured %	Indian/Asian %	White %
Unit trusts	1	-	1	6	8
Education policy/plan	3	2	2	4	7
Investment/savings policy	5	3	2	10	17
Endowment policy with death/disability cover	4	2	4	11	14
Shares on the stock exchange	1	-	-	3	2
Fixed notice account	3	2	3	7	9

Amongst people who do not have savings or investments, the main reasons are that they don't have a job (50%), have no money to invest (14%) or have never thought about it (10%).

Informal savings have increased over the past three years. In 2007, 13% of people had an informal savings mechanism, as opposed to 15% in 2008. The increase in informal savings products from 2007 to 2008 was driven by stokvels. Stokvel growth is most evident in the black population, having increased from 7% in 2007 to 11% in 2008. Stokvels are primarily used by black people (see Table below).

	Total 2007 %	Total 2008 %	Black %	Coloured %	Asian %	White %
Stokvel/umgalelo/savings club	6	8	11	-	-	-
Giving money to someone for safe keeping	1	1	1	1	-	1
Keep cash or savings at home	7	8	8	7	4	8

Black people prefer to make use of stokvels rather than formal savings mechanisms because of the community orientation of stokvels. Members of a stokvel feel that they are able to trust each other and form relationships with each other. Culturally, a stokvel is sometimes considered a viable option for many black people, as it reinforces a sense of community amongst members.

## **Summary**

There has been an overall increase in the percentage of South Africans who save money, whether formally or informally.

Although people seem to be more worried about their ability to provide for their own retirement and old age, this is not matched by any marked increase in the percentage of people who have a retirement or pension savings product.

Informal savings products such as stokvels showed an increase in 2008. Stokvels are most popular among black people due to the community orientation of these savings clubs.

*FinScope was launched in 2003 by the FinMark Trust ([www.finmarktrust.org.za](http://www.finmarktrust.org.za)). It was an attempt to establish credible benchmarks for the use of, and access to, financial services in South Africa. It was designed to highlight opportunities for innovation in products and delivery. The findings in 2003 and subsequent years have identified barriers to access for low income people and provided insights for policymakers, in both the public and private sectors, who wish to remove or reduce the barriers. For more information see: <http://www.finscope.co.za>*

*FinScope SA 2008, a study to monitor use and perceptions of the financial sector in South Africa, was conducted by TNS Research Surveys, South Africa's leading marketing insights company, on behalf of FinMark Trust and syndicate members. Face-to-face interviews were conducted among 3 900 South African residents aged 16 years and older, between August and October 2008. A nationally representative sample was drawn, which was weighted and benchmarked to the 2008 mid-year estimates based on 2007 Community Survey estimate information.*

*The 2008 South African syndicate members are: Absa, First National Bank (FNB), Liberty Life, Metropolitan Life, National Treasury, Nedbank, Old Mutual, Sanlam, Standard Bank and Teba Bank.*

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