



THE SOUTH AFRICAN SAVINGS INSTITUTE

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SASI CHAIRPERSON'S STATEMENT

AT THE OCCASION OF THE LAUNCH OF SAVINGS MONTH 2010

20 July 2010

IDC Auditorium

19 Fredman Drive, Sandton

Good morning ladies and gentlemen.

On behalf of the Directors and staff of the South African Savings Institute, I would like to begin by thanking each one of you here this morning for making your valuable time available to share with us the launch of Savings Month 2010. In adding my voice of welcome to you, I have to say how grateful we are for the continued support we get from folks like you, without who SASI cannot survive.

This year we have the privilege of sharing Savings Month with the historical FIFA World Cup, brought for the first time in its history to Africa and more importantly played on South African soil. I have little doubt that you all felt those precious moments of glory that South Africa enjoyed during the month long tournament. We would like to believe that the tournament brought the much desired economic boost that our country so desperately needs after all the trauma and financial pain of the recent global financial crisis. It is wonderful to be able to sit back and count the gains from the World Cup, however let us not forget the losses that we still reel from, prior to the tournament. As we strive to put our collective balance sheets in order, SASI makes an impassioned plea to all South Africans to focus once again on that essential catalyst for development, and the catalyst that I refer to is of course saving. Instilling a culture of saving and promoting that culture continuously remains the most critical agenda for SASI and is as relevant today as it was when SASI was first launched. In fact it has always been relevant if memory serves me right. As I stand here before you today I am reminded of some of my own savings lessons taught at a very young and tender age, savings lessons learnt at the feet of my late parents who were always emphasizing

how much we as humans have learnt or copied from nature, in particular the "savings" habits of squirrels. Like everything in life, we go through cycles and for squirrels this is no different. Because food is scarce in the winter, squirrels are known to accumulate food in the abundant summer months to tide them over this difficult period. So too do we have cycles where money can be scarce, so should we not then learn from these wise creatures and save during times of abundance?

Today, as we launch the traditional July Savings Month, a national savings awareness campaign aimed at promoting debate around key aspects of saving and raising awareness of the benefits of short, medium and long-term financial planning, we need to remind ourselves, our children and our communities of the valuable savings habits of a dying generation, a habit that held them in good stead during trying economic times.

When we were considering possible themes for this year, we wanted to ensure that in choosing a theme we were able to not only prolong the joy and memory of the hugely successful world cup but to remind the nation that we are recovering, slowly but surely from the recession caused by sheer greed in many respects. Hence the theme '**Save for the Goal: the Path to Recovery**' enables us to do both quite easily. However, in as much as goals scored during soccer matches are exciting, the word "goal" does have another significance for us at SASI and that is that saving can be meaningless and quickly abandoned if we do not have a goal that we are striving to reach. We believe that any journey requires two key ingredients, firstly a very clear idea on where we want to be and secondly even clearer directions on how we plan to get there. We urge all South Africans, individuals and corporates, to pursue a clear plan of financial recovery as the goal for this year and beyond. We acknowledge however, that each of us will have to pursue a different path to realize that goal. We would like to remind fellow South Africans that financial instability and market uncertainties will continue to be a part of our lives and that this should not be a deterrent to us pursuing these goals. Let us be mindful that while the world cup might have boosted revenue, we cannot discount factors such as the severe winter we are experiencing, a winter that has brought elements that have wreaked havoc with our food production and this will inevitably lead to higher food prices, something that can have devastating consequences for our hard earned cash.

These unpleasant surprises can, and do upset people's budgets, and therefore adds impetus to the agenda of the Institute which is to encourage individuals to build up savings that can cushion them against such unforeseen happenings. By getting our priorities right, we can keep our consumption patterns in check and indeed reverse the high debt levels that have characterized our balance sheets for the past couple of years.

Talking of debt, I am reminded of the other concern for us as an Institute and I refer of course to the unsustainably high level of household debt. Often this is quoted as the reason for not saving, yet realistically this could have been prevented if consumers had instilled in themselves the savings habit where one needs to save before committing to a purchase rather than purchasing on credit just because its available and gives instant gratification, never mind that

such debt still needs to be repaid. Our challenge remains that of imprinting on the minds of our people the advantages of saving for purchases, be they essential or luxury goods, as opposed to acquiring these on the back of credit.

Ladies and gentlemen, allow me to remind you that our household debt as a proportion of disposable income is now at a staggering 80%, while savings by the same group stand at -0.4%. With governments the world over pursuing contractionary fiscal policies, we have to think about where the rescue will come from for our long-term well-being. With current employee retirement contributions at best minimal, the need to plan and save for retirement is even greater today, and demands that we pay off debt as quickly as we can in the short-term to enable us to concentrate on accumulating retirement capital for the long term, in whatever form this may be. We remain hopeful that the current retirement reform debate will gain momentum soon so that individuals will be forced to appreciate the benefit of planning early for retirement. In as much as unemployment levels are still uncomfortably high, we remain optimistic that government efforts in the areas of job creation and skills development and retraining among others, will assist in bringing this figure down.

While we have seen improvements in the quantifiable indicators, we are concerned about the low levels of financial literacy. Financial illiteracy remains a big drawback, not just in this country but the world over, and the Institute continues to pay attention to improving this at all levels. To this end, we continue to work with the Banking Association of South Africa and once again appeal to financial sector practitioners to assist us take basic money management skills to learners in primary schools through the Teach Children to Save initiative. The institute has partnered further with the Financial Services Board, the National Credit Regulator and the Momentum Group to take similar messages and lessons to students in tertiary institutions through our highly successful annual Varsity Literacy Campaign. This focus on our young generation who represent the future leadership of this country remains critical as they will play a major role in household expenditure patterns going forward. Through these interventions we are confident that we are building a firm foundation for a strong culture of saving in the future. SASI aims to reach all universities and FET colleges in the country, a target which can only be realized with your help and we appeal to you to please continue the brilliant work you do here.

One of the objectives of Savings Month is to strengthen the spirit of partnership and collaboration in taking the message of saving to the broader public. At this point, I would like to recognize our partners in the various undertakings thus far and these are:

The IDC
National Treasury
National Consumer Education Committee
The Financial Services Board
The National Credit Regulator
Banking Association of SA
ASISA

Old Mutual
Postbank
Tshwane University of Technology
The Momentum Group
The Sanlam Group and
STANLIB

Let me conclude by stating that today would not have been possible had it not been for the SASI and IDC teams that have worked tirelessly over the past 2 months and in the process missing much of the soccer excitement over the last month. Their efforts have not only focused on putting together the launch, but also on ensuring that a set of well coordinated activities are in place for Savings Month to be meaningful. Working with them has been a team of dedicated people from our partner organisations, who have worked extremely hard to bring the various initiatives under the Umbrella of Savings Month. I would also like to recognize a team of students from the Tshwane University of Technology, who have worked closely with the Institute to ensure that each and every student at their seven Campuses gets the much desired financial education. In particular I would like to single out the following individuals:

Khensani Mageza
Julie Hutchins
Monica Monye
Shupikai Gwabuya
Patrick Ebewo and Calvin Makhubela.

In warmly thanking them, I extend an invitation to students from our many other campuses to take such initiatives to work collectively with us to foster a robust culture of saving in South Africa, starting with our future leaders who stand on the threshold of graduation and the workplace.

I would be remiss not to acknowledge our sponsors for their financial support, without which SASI would cease to exist.

The IDC remains the Anchor Sponsor of SASI's operations and we extend our heartfelt gratitude for your unwavering support of the work of the Savings Institute.

This access we have to your resources continues to ensure that SASI remains relevant and your support of our work is indicative of your belief that we do play an important role in South Africa.

May I take this opportunity to urge the rest of you present to seriously consider extending similar financial support to SASI and for this I thank you in advance. To facilitate this we have placed follow-up cards at your tables and we look forward to positive responses from yourselves.