



THE SOUTH AFRICAN SAVINGS INSTITUTE

P O Box 252, Bramley, 2018.
Tel (011) 269 3789 Fax (011) 883 4541
Website www.savingsinstitute.co.za
E-mail: info@savingsinstitute.co.za

Chairperson's Statement

At the Launch of the Festive Season Savings Campaign 2012

07 November 2012

19 Fredman Drive, Sandton

Good morning ladies and gentlemen.

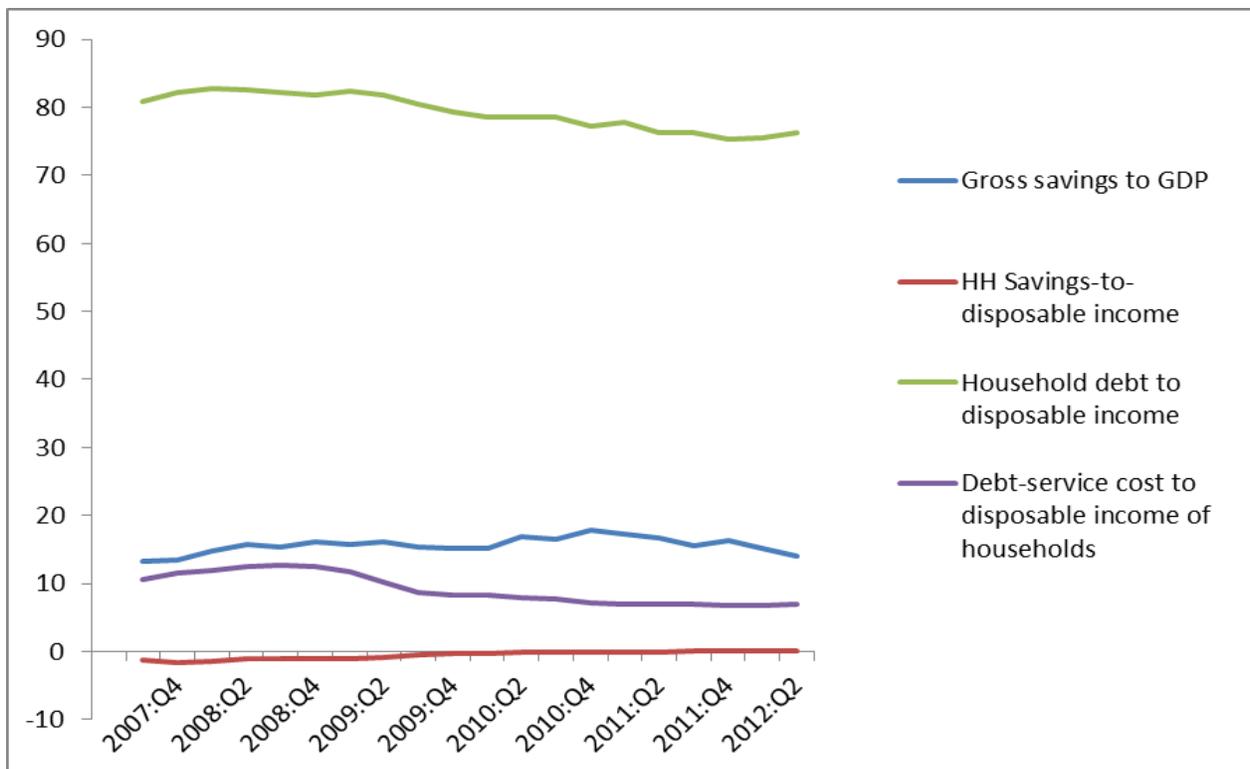
It is always a pleasure to have you join us during this time ahead of the merry making season. Changing mindsets is not an easy task, that is why the South African Savings Institute tirelessly cautions consumers at this time of the year to spend wisely, when there is so much thrown in their faces to entice them to spend everything they have earned over the 12 months.

We would like to see consumers being proactive by planning their spending and not incurring unnecessary debt to buy luxuries that they cannot afford during this festive season. While it is good and justifiable to make merry, we want to remind consumers that the short-lived joy over the season might not be worth the suffering one is likely to go through if one does not put aside something to get one through the

coming year especially at the beginning of the year. Planning and spending accordingly is what will ensure a stress free start to 2013. Those consumers fortunate enough to receive a bonus should ideally be looking at putting some money aside for January's obligations and reducing current debt. The New Year usually comes with expensive surprises hence the need to put aside a little of what consumers have now, and not exhaust it in merry-making. This will go a long way to meeting unanticipated expenses come 2013.

World savings Day was observed on 31st October with the theme "*Save Today, Be Ready for Tomorrow*". This should remind us of our individual responsibilities to take charge of our lives by planning and not relying on neighbours, friends, the State and other countries.

Graph 1: Trend of Selected SA's Savings Indicators (%)



Source: Stats from the SARB Quarterly Bulletin September 2012

Global financial and economic conditions are putting a lot of economies under pressure and ours is no exception. A weak currency and low global demand have implications for our GDP outlook and the real sector. Our gross national savings are still low as shown in Figure 1, making us as a country that will soon become reliant on external assistance. This external assistance will cost our children their future in the long-run. As an emerging economy, it is important that we emulate where possible, the statistics of our counterpart countries. Since the crisis, our savings rate has oscillated between 17.9% and 13.2% of GDP. Yet our debt especially at household level, has been consistently rising (see Figure 1). As our panellists & partners will share with us today, this situation has far reaching implications for the economy as a whole. For example, what does it mean for a person who earns R1500 to accumulate a

debt of R27000 in the same period? Clearly such a situation is either the result of lack of financial knowledge or an ingrained culture of consumerism since most debt is consumption debt. Consumers have remained financially vulnerable since the crisis and some are sinking even deeper into debt according to results from consumer surveys such as the Finscope survey and especially the consumer financial vulnerability index which keeps tabs on our consumers on a quarterly basis. Food and electricity prices remain high. Unemployment is still low. Yet South Africans will be tempted to go and borrow at all costs just to get through the season in style, and in the process they will expose themselves to fraudulent activities that characterise the informal financial sector, thus making themselves even more vulnerable. In fact, the most vulnerable consumers may not understand the high interest or details of their loans before taking on more debt. While low interest rates present an opportune time to pay down debt, a big number of our consumers are financially illiterate and as such, they do not make the best of such positive changes in the economy. What's depressing is that many opt to take on more credit instead of paying-off what they owe. Financial illiteracy remains widespread with financial goal setting and prioritisation, almost non-existent among many.

This year, SASI has partnered with several stakeholders to assist consumers get out of their financial mishaps and thus begin thinking in a forward looking manner. These include the National Debt Mediation Association and the Financial Planning Institute. Together, we will host a series of workshops

especially at community level, to educate consumers on fundamentals of financial management and highlight potential traps in their financial engagements that might frustrate their efforts to save. Consumers will also be guided on how to go about getting out of the debt trap that they find themselves in. For those who are ready to take the next step, there will be financial planning clinics in the metro area where consumers can get information on what to expect and/or what to look out for, when they visit financial planners.

The aim of this campaign is to train the consumer to think about tomorrow rather than having fun today, at a cost that is higher than it is worth. We encourage consumers to seek the services of the NDMA, the credit bureaux as well as the Provincial Offices of Consumer Protection. We urge South African consumers to know their rights under the Consumer Protection Act. If consumers believe that they were not properly informed of the terms of their credit agreements, they have the right to take this up with the Office of Consumer Protection.

SASI also encourages consumers to approach the financial clinics to seek professional help on effective money management. Making an accurate assessment of your financial position, no matter how difficult, is the first step towards financial freedom.

Tips from this year's Festive Season Savings Campaign:

- Realise that credit on your accounts or credit cards are not your money
- Before spending that annual bonus, first put aside money for January's additional expenses
- Start the year by drawing up a budget setting out income and expenses, including debt. Be honest about your debt situation and realistic about your spending.
- Set your financial goals for the New Year and encourage your children to set their own financial goals
- During the holidays take time out to meet with a financial planner or debt counsellor if you are struggling with how to plan or with debt
- If you can't afford to go away, stay at home. If properly planned, spending the holidays at home can be as much fun and probably more relaxing and stress free.
- Speak to your family about setting a budget limit on gifts, in fact take the decision not to exchange gifts but spend the money doing fun stuff together instead
- When you see SALE, rather think SAVE
- If you have to shop, especially for big ticket items, shop around for the best deal and use your bargaining skills to your advantage
- Consider the total cost of credit, not only the monthly instalment.

I thank you

Please remember to spend wisely!