



Media Release

Consumers urged to be forward looking when spending this Festive Season

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The South African Savings Institute (SASI) once again reminds consumers to be cautious about their spending this festive season in order to avoid financial stress in the New Year. This is the message of SASI's 2012 Festive Season Savings Campaign.

"We would like to see consumers being forward looking by planning their spending and not incurring unnecessary debt to buy luxuries that they cannot afford during this festive season. While it is justifiable to make merry, we want to remind consumers that the short-lived joy over the season might not be worth the suffering they are likely to go through if they do not plan obligations awaiting in the New Year, especially at the beginning. Bonuses should be put to more productive such as pay-off debt or even start a retirement savings plan. The New Year usually comes with costly surprises hence the need to put aside a little of what consumers have now, and not to exhaust it in merry-making, will go along in meeting unanticipated costs of 2013" says Prem Govender, Chairperson of SASI.

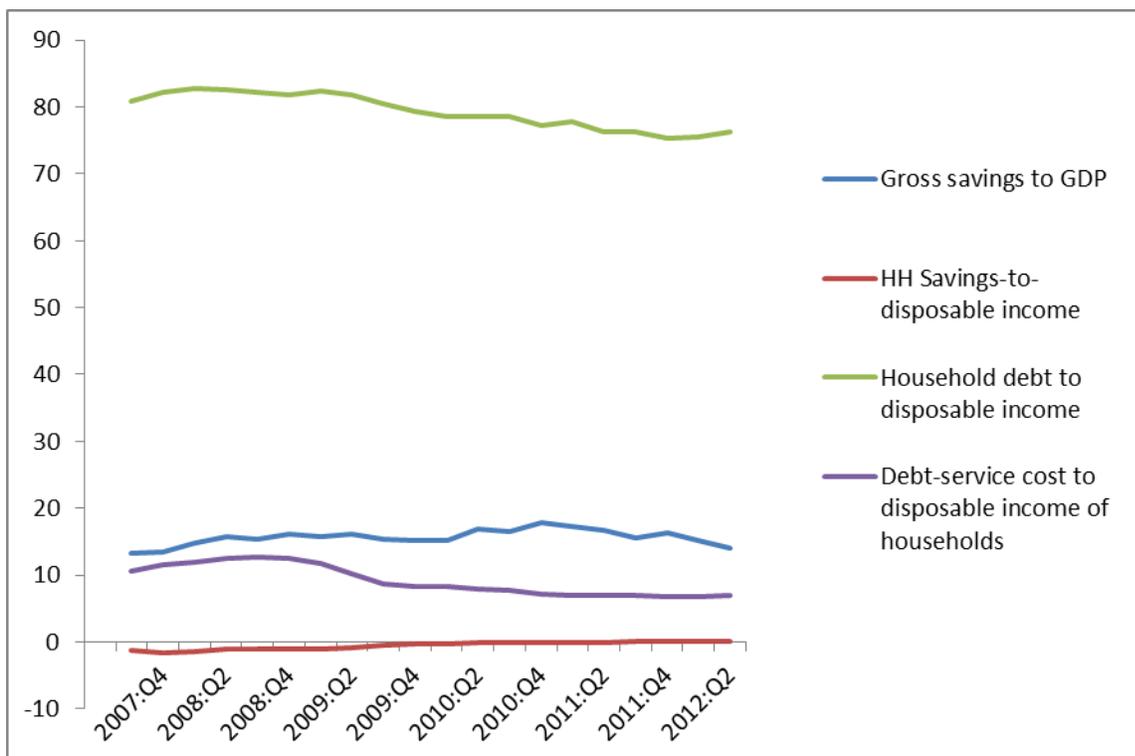
"The World savings Day, October 31st, under the theme - "*Save Today, Be Ready for Tomorrow*", should remind us of our individual responsibilities to take charge of our lives by planning for unforeseen circumstances and not rely on neighbours, friends, the State, not even other countries", adds Govender.

This message comes at a time when many South Africans are experiencing financial strain due to adverse international and domestic economic conditions. For example, the on-going euro area financial crisis and the decline in global demand have implications for the real sector as well as the country's macro-economic position. Locally, our savings rate is still lagging behind our emerging counterparts, the household debt still soaring above

75% of household's disposable income as shown in Figure 1. The latest Consumer Financial Vulnerability Index (CFVI) indicates that consumers experienced a huge strain on their cash flow during the second quarter of the year. The index declined sharply from 58.9 points in the first quarter to 48.6 points in the second quarter. The CFVI measures consumer financial vulnerability according to a scale where a score of '0' indicates total consumer vulnerability while a score of '100' indicates a score of total financial security.

According to a recent statement by the National Credit Regulator (NCR) the total outstanding amount owed by consumers is R1.36 trillion. This represents money owed by consumers in the form of mortgages, vehicle finance, credit cards, store cards, personal loans, short term loans, pension- and insurance-backed loans.

Figure 1: Trends of selected SA's savings indicators



Source: Stats from SARB Quarterly Bulletin September 2012

Much of this financial debt can be attributed to South Africa's culture of consumerism rather than saving. "Before many South Africans can even think about saving, they need to first address their debt," adds Govender. According to the latest Credit Bureau Monitor's 2012 2nd quarter report, only 10.38 million of the 19.6 million credit-active consumers in South Africa are

classified as in good standing. The report reveals that the number of consumers with impaired records increased by 170 000 to 9.22 million during the previous quarter.

But according to the National Debt Mediation Association, consumers are quite reluctant to seek mediation. "While we received over 32,000 calls through our helpline, only 4 150 have actually sought mediation since January 2012. These figures are not sufficient when compared to the actual number of consumers in financial distress, especially those with three-months-plus in arrears", says Magauta Mphahlele, CEO of National Debt Mediation Association. "We encourage consumers to understand the options available to them to deal with financial distress", adds Mphahlele.

"Unfortunately 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 such as the current low interest rates which would make this an ideal time to pay down debt. In fact, the most vulnerable consumers do not even understand the high cost of debt and the details of their loans before taking on debt, says Govender. "For this reason, SASI and the NDMA will host a series of financial literacy workshops across the provinces to educate consumers on fundamentals of financial management and highlight potential traps in their financial engagements, which might frustrate them in their efforts to save", adds Govender. The Financial Planning Institute will also be hosting Financial Planning Clinics in the metro areas of the country to guide consumers on effective money management and advise them on what to expect when consulting a financial planner. "Making an accurate assessment of your financial position, no matter how difficult, is the first step towards financial freedom. We therefore encourage consumers to take this step," adds Govender.

Consumers are also urged to know their rights under the Consumer Protection Act. "If consumers believe that they were not properly informed of the terms of credit agreement, they have the right to take this up with the Office of Consumer Protection," says Govender.

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
- Draw up a budget setting out income and expenses, including debt
- Set your financial goals for the New Year and speak to your children about their financial goals

- During the holidays take time out to meet with a financial planner or debt counsellor if you are struggling with debt
- If you can't afford to go away, stay at home
- Speak to your family about setting a budget limit on gifts
- When you see SALE, rather think SAVE
- Shop around for the best deal
- Adjust spending on alcohol and tobacco products
- Look at cutting back on satellite television
- Consider the total cost of credit, not only the monthly instalment.

Ends

About SASI

Established in 2001, SASI is a Section 21 company dedicated to the development and delivery of programmes that encourage growth in the level and rate of saving in South Africa,

SASI's vision is to secure sustainable growth in South Africa with a vibrant savings culture, driven by a financially literate population.

The organisation's core activities include research, advocacy, financial education and savings promotion.

For more information visit: www.savingsinstitute.co.za

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