



South Africans urged to save at all costs

Small improvements in household savings but debt levels soar

South Africans need to start saving at all costs, says South African Savings Institute (SASI) chairperson, Prem Govender, who was addressing the 10th anniversary launch of SASI and National Savings Month in Sandton today (13th July 2011).

Lamenting South Africa's low savings rate, she said the country continues to lag especially in terms of domestic savings and "unfortunately the picture looks disturbing for the next few years".

She said that a high savings rate would improve South Africans' standard of living and ultimately, the economic growth of our country.

Govender said it was "pleasing to note" that there had been a slight "but very noticeable drop" in the debt-to-disposable income ratio from a high of 81.8% in 2008.

"According to the reserve bank quarterly bulletin, this figure dropped to 78.2% in the first quarter of this year, with unemployment at 25% for the same period," she said.

While South African consumers faced many challenges, including high indebtedness and high unemployment, which Govender said "do not do much to promote saving"; as well as substantial increases in oil prices and social and economic problems, "the benefits of a high savings rate in any economy cannot be disputed".

Benefits include a reduction in external dependency and the improved financial health of citizens while working and during retirement.

"A low savings rate, especially at household level, has negative spill-over effects leading to an increased burden on the State to provide safety nets," Govender said.

She was encouraged by the drop in the debt ratio and the growth of informal savings particularly in stokvels.

"The current trend of households expanding or improving their RDP homes, using such savings, again tells us that despite setbacks South Africans are intent on improving their net worth. This is enough for us at SASI to continue to preach the message of savings."

Govender praised Government's commitment to providing an enabling environment



for savings with the social security and retirement reform initiatives, the national financial education framework, the protection of consumer rights under the new Consumer Protection Act and the substantial increase in allowable tax deductions, particularly in respect of interest earned.

Financial institutions too have played a major role, particularly in expanding their product base as well as their approach to providing services to potential clients.

“Financial product providers have gone to great lengths to understand the requirements of the South African consumer and have tailored products to suit divergent groups. The Finscope survey 2010 showed that there has been an increase in the financial inclusion of South Africans over the past few years,” she said.

Govender said: “A lot has been achieved in the past decade which warrants recognition. SASI has engaged in activities that target all age and work groups through our festive season savings, Teach Children to Save, varsity financial literacy and community savings campaigns which include employee wellness programmes with the hope that the lessons taught have been adopted and replicated.

“We are encouraged by the fact that savings month has increasingly been observed by the media houses with most devoting space for articles on personal finance. These publications have done much over the years to educate the consumer and promote savings.

“The battle against low savings rates is far from over, but we must acknowledge that saving is a habit which we have to develop, practice and grow over time. It is with this in mind that today we proudly launch our traditional July savings month. Our theme for this year is *‘save now’*.

“There’s no better time to start saving than now, it’s never too late or too little. This is the message that we want to take to both young and old.

“We need to lift our low levels of financial literacy in our bid to make a difference, continue to work with the banking industry rallying financial sector practitioners to take basic money-management skills to learners in primary schools through the Teach Children to Save initiative.

“We have partnered with the Johannesburg Securities Exchange (JSE), the National Youth Development Agency (NYDA), the Financial Planning Institute, the National Credit Regulator and the National Consumer Education Committee to take saving and investment skills to our youth, both in schools as well as the workplace.



“We are also proud of our partnership with the Financial Services Board (FSB) where we take financial literacy to the future workforce in our annual varsity literacy campaign,” she said.

She paid tribute to the IDC which had remained the sole anchor sponsor of the institute “even though they are not the direct beneficiaries of the work of the institute”.

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