

Life investments losing ground

THERE has been a major shift in South Africans' savings patterns as life insurance is no longer the primary vehicle for saving.

This is one of the findings of a recent survey by the Bureau of Economic Research (BER) on the life insurance sector.

"Historically, the life insurance sector was the dominant savings vehicle for consumers," said Tim Rutherford, insurance industry spokesperson at Ernst and Young.

"This has changed substantially over the past decade, with savings products offered by a wider range of players providing alternative options for investors."

He said that, as a result, the life sector has seen lower demand for life-related savings products.

"The situation of investment-related business is not something that is expected to change, although life insurers have largely repositioned themselves to provide a broader range of investment products," said Rutherford.

"While the life companies do not necessarily lose out entirely,

the flow of funds into life-specific investments has undoubtedly slowed."

Meanwhile, the government has called for a better savings culture in South Africa.

Deputy finance minister Nhlanhla Nene has drawn a direct link between savings and short-term economic stability, long-term productivity growth and prosperity.

"Building a culture of savings in South Africa is vital in ensuring that higher economic growth is sustainable," Nene said this week.

The country's gross savings ratio stood at 17,1% of gross domestic product in the first quarter of 2009, higher than the 2008 average of 15,4%.

Speaking on *Fin24's AM Stock Take*, Elizabeth Lwanga Nanziri, chief operating officer of the SA Savings Institute, said that high household debt is one of the main hindrances to saving in the country. Household debt as a ratio of disposable income was marginally higher in the first quarter at 76,7%, according to the Reserve Bank's June Quarterly Bulletin.

Lwanga Nanziri added that lower interest rates will promote savings by giving consumers some monetary relief.

Efforts on the part of the South African Reserve Bank to manage inflation will also help boost savings, according to Lwanga Nanziri.

"If consumers have a breather, they should save that extra bit of money," she said. — *Fin24*.

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