

Save yourself from a miserable old age

July is National Savings Month. I wish it was also national *preserve* your savings month. Or even better, national preserve your savings against the avariciousness of people and product providers that flog high-risk so-called investments, such as poorly structured property syndication schemes, particularly to the elderly, who cannot afford losses.

It is sad that Finance Minister Pravin Gordhan should have latched onto the Tannenbaum Ponzi scheme only when speaking to Parliament about his department's budget this week. Fleecing the silly rich is one thing; fleecing a desperate, financially unaware pensioner is another.

The full weight of the regulatory and other authorities is being brought to bear on the Tannenbaum scheme. In my view, this should aim mainly at finding out who (among both the scheme operators and the investors) was dodging tax legislation and foreign exchange controls. (More on this next week.)

Surely it is more important to move the full force of the state against things such as the property syndication schemes that are now starting to go belly up, leaving many pensioners stranded and not knowing how much of their money they have lost and with little chance of recovering it.

This publication and many others have been warning of the



Life with Cameron
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dangers of these property syndication schemes, spelling out exactly why most of them are extremely flimsy. However, product floggers have continued to sell them, mainly, I suspect, because of the high commissions that are attached to them.

Go to our website, www.persfin.co.za, to see how often and in how much detail we have looked at property syndications.

The product providers and floggers must now be called to account, and more must be done to control these so-called investments. Property syndications are controlled by the Department of Trade and Industry, while the selling of their products is mainly controlled by the Financial Services Board (FSB).

This is nonsense. Split responsibilities allows for the exploitation of

regulatory gaps. Property syndications should be placed under the control of the FSB and very strict rules should be introduced to ensure that proper protective structures are in place.

It is the protection of the savings of ordinary pensioners that is important, not the fate of the accumulated excessive bonuses that were earned and no doubt used by the likes of Sean Summers and the other high flyers who invested in the Tannenbaum scheme.

KNOWLEDGE GAP

But back to National Savings Month. One of the reasons people get fleeced by the unscrupulous is that they simply do not know better. This is compounded by a fear of not having enough and greed, which makes them think they can do better than safe, lower-return investments.

One reason people do not know better and fall prey to glib product floggers is that there has been a big gap in the education system. People simply were not taught at an early age why and how they should save.

Most people in South Africa reach retirement age without having saved enough for a financially secure retirement. As a consequence, pensioners fall prey to high-risk and/or scam investment schemes because they are desperately seeking better returns to make up for the shortfall in savings.



In other words, the problem goes back to before the day they received their first pay cheque. Many simply did not know why there was a need to save from day one and to preserve their savings over all the years before retirement. If they had, they would not be so tempted by these dubious so-called investments.

The key feature of National Savings Month is: "Teach Children to Save". The campaign is a joint initiative of the South African Savings Institute (Sasi), the Banking Association of South Africa, Operation Hope, Citi Bank, the Industrial Development Corporation, the Association of Savings & Investment SA, the Financial Planning Institute, the Department of

Trade and Industry, the SA Reserve Bank, the SA Post Office and the financial services regulators.

Last year, when Sasi decided to target children, it came up with the motto "Logotshwa lisase manzi", a delightful and wise Zulu saying, which means that if you want to shape a stick, it is best to do it while it is still moist and pliable.

The main thrust of the campaign is an army of voluntary financial service sector workers (mainly bank employees) going out to schools in the week of July 20 to 24 to speak to pupils about saving.

The volunteers will tell children about why saving is important, how to save, how to recognise the important difference between what their

wants are and what is actually needed, and where to save.

You can read more about the campaign by going to the website www.savingsinstitute.co.za. Any school or financial institution that wants to get involved can sign up through the website.

LOW-RISK ALTERNATIVE

Hopefully, this campaign will have longer-term benefits. But it does not solve the problem of pensioners falling foul of things such as high-risk foreign exchange and property syndication schemes.

People who are already employed must take greater responsibility for saving for retirement, and those in retirement must accept that they cannot make up for the shortfall in their retirement savings by making high-risk investments.

Pensioners must realise that an inflation-linked RSA Retail Bond paying out monthly is a far better option than a dicey property syndication. If they do not have enough money saved, the only alternative, no matter how discomfiting, is to reduce their standard of living.

The authorities should also take every possible action to stop the financial exploitation of the elderly. A few people getting jail sentences would be the best medicine.

● Cameron is the author of *Retire Right* (Zebra Press), which is now in its second edition.

