

Poor savings habits paves way for social problems in the future – by Gavin Came, Chairman of the Financial Planning Committee at the Financial Intermediaries Association of Southern Africa (FIA)

The poor level of savings among consumers in South Africa is paving the way for a looming social disaster, as people continue to opt for greater levels of unsecured credit instead of concentrating on putting money away. This worrying behaviour is often linked to people failing to engage with a professional financial planner whose primary role is to assist people to plan financially for the future.

According to figures recently released by the South African Savings Institute, a shocking 72% of working adults in South Africa have no savings at all. In addition, household debt as a proportion of disposable income, which peaked at more than 81% in 2008, has only fallen marginally to about 78%.

Gavin Came, Chairman of the Financial Planning Committee at the Financial Intermediaries Association of Southern Africa (FIA) says one of the common problems among consumers is that they simply stick their head in the sand with regards to their financial affairs. “Most people realise the importance of having savings in place but are unable or unwilling to defer short term consumption such as buying new clothes or a new car, or paying for an annual holiday. As a result, their immediate wants or needs tend to take priority over provision for the future.”



He warns that while not saving enough for retirement is a common trend, in the long-term it is often these same people who are then prone to making rash decisions later in life when they realise they do not have sufficient savings to meet their needs. “We often see that the victims of get-rich-quick-schemes are pensioners who realise they have not saved enough during their working life and are seeking a quick-fix solution to fund their retirement. These are the very people who can least afford to take such a huge risk and the outcome is often disastrous.”

He says it is crucial that consumers start to make themselves aware of their true savings requirements in order to avoid such a consequence. “It is important that people take their financial commitments seriously and have an overall financial plan in place that addresses both their short and long term needs. If they don’t do this, then what may be classed as poor savings habits now can prove to be disastrous a few years down the line. The task of providing for a comfortable future is much easier and financially painless if you start early.”

He says critical to this process is employing the services of a financial adviser, who can make recommendations based on someone’s personal circumstances and steer them in the right direction in terms of meeting their financial goals. “Financial planners can help people to devise a financial plan, and make sure that clients not only adhere to that plan but also help them to get back on track if they do deviate.”

“While it is tempting to ignore the demands of the future and concentrate purely on their short term needs, by engaging the services of a qualified and professional financial planner early enough, consumers can plan for a conformable retirement without being forced to make significant compromises to their current lifestyle,” concludes Came.