

Media Release

Association for Savings and Investment South Africa (ASISA)

15 December 2009

Tips on saving and creating wealth from captains of industry

The financial hardships suffered by many South Africans in 2009 should be reason enough to convince consumers to place their personal finances at the top of their New Year's resolution list.

Ideally, says Peter Dempsey, deputy CEO of the Association for Savings and Investment South Africa (ASISA), you should make your financial New Year's resolution before you spend your bonus in its entirety and before you receive your December salary next week.

"Your resolution depends entirely on your personal financial circumstances, but to help you ASISA has asked the CEOs and MDs of some of our member companies to share with you their views on saving and creating wealth."

This is what the captains of our industry had to say:

Johan van Zyl, CEO of Sanlam and chairman of ASISA:

"Considering that the average monthly pension in South Africa is less than R3 000, I would advise people to work longer to preserve their capital for as long as possible. Given the fact that we tend to live longer, retiring early, at age 55 or 60, is simply no longer an option for most.

"Also, a savings tip that I firmly believe in, is to resist buying a new car every so often. A car is never an asset - don't spend your life funding a liability. Rather use spare cash to pay off debt or invest the money sensibly."

Leon Campher, CEO of ASISA:

"Your best investment will always be to pay off debts first, including your mortgage bond. If you have spare cash and you use it to invest while still servicing debt, you are effectively borrowing money to invest on the stock exchange."

Tebogo Naledi, CEO of Afena Capital:

"Get into the discipline of saving immediately from when you start earning a regular income, even if it's only a small amount to start with. The power of compounding means that wealth creation is not just about how much you invest but also how long your investments are working for you."

Tjaart Esterhuysen, MD of RGA Reinsurance Company of South Africa:

"As a first priority when you start earning, implement a savings plan aimed at securing your retirement funding. Build a relationship with a trusted financial adviser who is going to help you test regularly whether your current retirement provision will lead to sufficient retirement income. If you find that you are not saving enough, adjust your savings plan immediately. As a second priority, start saving for your children's education as soon as they are born - university, and indeed school fees, are getting very costly. The earlier you start to make provision for that, the better!"

Willie Lategan, CEO of Absa Financial Services:

“The only way to change our nation’s dismal savings culture is by teaching our children how to save from an early age. Also, there needs to be an incentive to save. I have a rand for rand matching agreement with three children on their own savings. Equally important is that adults set a good example. There is little point in telling children to save, if as adults we cannot resist debt propelled by the urge for instant gratification.”

Murray Anderson, MD of Atlantic Asset Management:

“Make sure that you understand exactly what your financial needs will be at retirement. Then, work out a savings and investment strategy that will enable you to achieve this goal. The first step should be to eradicate your debt as swiftly as possible, even if it means deferring material aspirations for a couple of years. Once your debt has been cleared, a disciplined savings programme should be followed with a focus on rand cost averaging and exposure to growth assets. With the help of your financial adviser, look to make use of depressed asset prices to accumulate positions in assets with growing income streams and steady cash-flows.”

Rob Dower, Chief Operating Officer at Allan Gray:

“Avoid borrowing money to buy things that are not going to increase in value over time - couches, holidays, television sets and, sadly, cars all fall into this category. The monthly repayments and sacrifices you have to make to rid yourself of all that debt would be much better put to use in a regular savings plan that will make you money rather than cost you interest.

“As to what to do with your savings, in the simplest terms: Carefully choose your investments and don't overpay for them - if needs be get advice - and then stick with your choice even if you look wrong for a while. Over the long-term this approach is most likely to render the best results.”

Ends

Issued on behalf of ASISA by:

Lucienne Fild
Independent Communications Consultant
082 567 1533
lucienne@mweb.co.za

ASISA represents the majority of South Africa’s asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies. ASISA was formed in 2008 by members of the Association of Collective Investments (ACI), the Investment Management Association of South Africa (IMASA), the Linked Investment Service Providers Association (LISPA) and the Life Offices’ Association (LOA).