

Consumer Education Media Release
Association for Savings and Investment South Africa (ASISA)
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Survive tough times by facing your financial demons with courage

Panic and denial are two of the most common emotions that set in when consumers realise they are no longer able to afford their current lifestyles.

Peter Dempsey, deputy CEO of the Association for Savings and Investment South Africa (ASISA), says for many families job losses, rising living costs and more expensive debt have meant that their monthly expenses equal or exceed the joint household income.

“Unfortunately panic and denial, while completely normal emotions, tend to worsen the situation for the consumer struggling to keep up with the ever increasing cost of living or grappling with the sudden loss of income as a result of retrenchment,” says Dempsey.

He adds that both emotions can drive people to irrational behaviour likely to worsen their situation.

“Those who engage denial as a means to cope with financial problems often ignore their financial woes and carry on as if nothing has changed. Others succumb to knee-jerk reactions like cancelling valuable insurance cover. Both these approaches do little to alleviate the financial shortfall and will result in the consumer drifting further into financial trouble.”

Dempsey advises cash strapped consumers to carefully consider all their options and to then devise a plan aimed at better aligning living expenses with the money available.

According to Dempsey the following points should be considered:

- Do not cancel your insurance policies. If at all possible make sure your home and your motor vehicles remain insured. It is during times of financial difficulty that you can least afford to risk significant financial loss due to unforeseen events such as accidents. Also keep your life and disability cover. Your situation or your family’s financial future could be severely impacted should something happen to you and there is no life or disability cover in place.
- Reduce your spending on non-essentials like magazine subscriptions and television channels that come at a cost. Make sure you cut out all luxuries for as long as you are struggling financially.
- Learn to budget. Committing expenses to paper will enable you to determine non-essential costs. It will also encourage you to set aside money for bills that have to be paid.
- Resist the temptation to treat yourself or your family on credit. You may argue that times have been tough and that the family deserves a reward that can be financed by using the credit card. Not only will this thinking deepen your financial woes, but it will also reduce your flexibility when dealing with emergencies like needing a new tyre after hitting a pothole.
- Contact the lenders with whom you are servicing a debt (banks, retailers) and renegotiate your debt repayments. Most institutions would rather restructure your debt than let you default as this has negative financial implications for them as well.
- Always pay your bills first.
- Sell items that you do not need, for example unused bicycles, furniture, clothing and so on.
- Try and hold on to your investments, but if this is absolutely not possible, speak to your financial adviser or the financial institution that you invest with before you cancel your investments. Often there are alternatives.



- If you have no choice but to cancel your investments, make sure you use the freed money as well as the monthly investment amounts to repay debt. Do not cancel investments to free up spending money.

Dempsey says it is critically important that consumers learn from their mistakes and prevent future financial woes by implementing a solid long-term savings plan once they have worked through a financial crisis.

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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).