

Consumer Education Media Release
Association for Savings and Investment South Africa (ASISA)
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Parents need to take the lead to improve SA savings culture

Do your children believe that a plastic card can buy anything the heart desires and that the ATM is a source of an endless supply of cash? Or do your children understand how hard you have to work for your money and how important it is to save and invest some of it?

Peter Dempsey, deputy CEO of the Association for Savings and Investment South Africa (ASISA), says South Africa's dismal household savings rate seems to suggest that parents are busy raising yet another generation unlikely to save and invest.

"South Africa does not have a strong savings culture. In fact, our household savings rate is one of the worst in the world. This means that as parents we are not saving, and therefore our children will not appreciate the importance of saving."

According to the South African Savings Institute (SASI), around 72% of adult South Africans are not saving at all.

Dempsey says the only way you are going to teach your children how to spend wisely and to save is by example. "If you are a slave to your money, your children are unlikely to grow up to be masters of their money," he adds.

"If your children see you buying whatever you want using a store card, they will grow up thinking that buying without actually having the money is the norm. If this is the example you set, do you also share your anxiety with them at the end of the month when you cannot afford to repay all your cards?"

He points out that one of the most important lessons that you can teach your children is that money is a precious resource; it is something that someone has worked for.

"By simply giving your children what they want and by handing them money whenever they want it without having to earn it, you foster the attitude that money is something that simply falls into your lap. Children will only learn to understand the real value of money if they have to earn it and if they have access only to the amount they have actually earned."

Dempsey encourages parents to make their children money wise by involving them in the earning, spending and saving process.

- Explain to your children that the money you use to buy things needs to be earned first. Talk about how you earn this money, although you may not want to disclose how much you earn. A young child is likely to spread the word quickly and your teenagers may expect you to become more generous. Instead of providing a figure, rather explain that you earn enough to cover expenses, and then list some.
- Involve your children in the budgeting process. The golden rule is to save first and to spend what is left, but this approach requires a budget. It is important for children to see how much it actually costs to run a household and pay for education. Aim to save at least 10% of your monthly earnings.
- When paying by credit card, explain to your children why you are using a card and what the implications are.

- Bank cards are a fact of life and protect the user from the risk of carrying cash. Open a bank account that comes with a debit card for your children. Deposit their pocket money into this account and encourage them to pay for their purchases with this card. Once a month present them with their bank statements so that they can see how much they had and how much they spent.
- To encourage your children to save, you could also open a savings account and split their pocket money between the two every month. In the age of online banking, your children's bank accounts can all be linked to yours and managing the payments takes only a few minutes.
- It is important to teach children the importance of life and disability cover from an early age. Talk to your children about the fact that you have made provision for them should something happen to you. While this is a topic that most people prefer to avoid, it is so important to share this information with your children.
- Equally, explain to your children the importance of short-term insurance cover as well as medical aid cover. When an event occurs that forces you to claim, talk them through the process. It will help prepare them for when their turn comes to purchase insurance cover as young adults.
- Investment and savings products are unfortunately not easy to understand. Share with your children what you have learnt, so that they will find it easier one day to navigate this world. If you do decide to open a unit trust fund account for them or take out an endowment policy, why not involve them in this process right from the start. Secretly putting away money for them might produce a pleasant surprise when they are old enough to benefit from the investment, but it will not prepare them for applying this money wisely unless you teach them.

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To set up interviews please contact:

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

Issued on behalf of:

Peter Dempsey
Deputy Chief Executive Officer
Association for Savings and Investment South Africa (ASISA)

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).