Five bad attitudes that prevent you from saving

22 September 2022

The South African household savings rate (percentage of household income that is saved or invested) dropped to 0.30%[1] in the first quarter of 2022. That means that South African households are putting away less than 1% of their income for a rainy day or generally saving for something.

“We save so little in South Africa, while saving is part of the culture in so many countries. For example, the Chinese save almost half (45.5%[2]) of their household incomes, which ensures that people have emergency funds or a nest egg in old age, and this culture of saving adds to the economic growth of that country. So, it is important to understand what prevents us from saving in South Africa”, says *Sherwin Govender, Business Development Manager at Glacier by Sanlam*. “Saving is a big step towards personal financial freedom and facing your future with confidence”, he says.

He unpacks the five top pitfalls that prevent successful saving. “These negative attitudes result in reduced financial health”, says Sherwin. They are mindsets that sabotage our financial success, and we will need to change them if we hope to realise our personal goals and dreams. It’s important for us to know if we’re guilty of any of them and then to do something about it.

1. You underestimate the value of saving.

The most common response to why people do not save is that they cannot afford it. The economic conditions in our country have made it a challenge for most of us to make ends meet, so building a nest egg becomes less of a priority. Even higher income earners do not always have the type of savings and investments that you would expect. Most of us have a multitude of monthly expenses that take precedence over savings. What this implies is that these expenses are valued higher than a savings plan.

That raises the question: “What is the value of savings?”. In short, savings plus the growth it generates, is the only way to “pay yourself”. If done correctly, your savings can be transformed into property, education, travel, healthcare, and your financial independence. When you automatically save 10% from the first day you earn an income, you learn to build your spending habits around not having access to that money. Every rand saved is a sacrifice but strengthens your financial fitness.

Financial fitness leads to less stress and anxiety which leads to a happier life.

---

2. You don’t believe in getting professional financial advice.

Many people do not see the true value of professional financial advice. The younger generations especially have been known to take a “do-it-yourself” approach to financial planning. Others follow the latest trends or the advice of friends and family. Going this route becomes dangerous to your financial wellbeing. Financial planning is complicated and deeply personal. Much like medical, legal or tax advice it is always recommended to use an appropriately authorised and registered financial adviser. The most basic advantage of having an adviser is that if you were advised badly, (which is unlikely if they are qualified), you have recourse with the FSCA or an Ombudsman. The true value of a professional adviser is that they take a holistic view of your personal finances – your income, expenses, needs, shortfalls, risk appetite and goals. A good adviser becomes a coach and partner in your journey to financial fitness.

3. You are too comfortable with debt.

South Africans are some of the most indebted consumers in the world. Debt and indebtedness seem to be the norm. Of course, there’s healthy debt like a mortgage bond for your home or debt that is sometimes necessary such as vehicle finance. However, if you are using credit to finance a lifestyle you cannot afford – such as clothing, luxury items, or your social life – then you have unhealthy debt. This becomes a drain on your income and financial health. It is important to remember that paying for something on credit is forking out two, sometimes three times the actual cost. Having savings in place becomes ineffective if you are using more of your hard-earned money every month to pay service debt and credit.

4. You have FOMO (the fear of missing out).

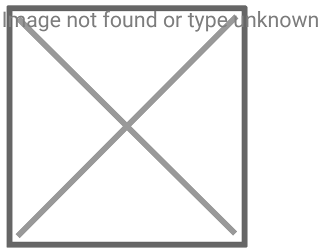
When markets go up, people with FOMO want to buy in. When markets go down, they sell out. You want high returns, but when negative returns happen, you switch investments or buy out. You will end up buying into the market when it is expensive and selling when it is cheap. This behaviour literally destroys your savings. FOMO investors are also more likely to buy into “trend” investments like cryptocurrencies, non-fungible tokens (NFT’s) or investment in a blockchain, forex and unregistered assets which promise returns well above those expected from banks and investment providers. These returns are so attractive that we often do not see the risks associated with them. Unfortunately, many of these avenues have led to tremendous losses suffered by investors.

5. You ignore the magic ingredient – time.

Investing is a long-term pursuit. We tend to want instant gratification and want results today. However, money takes time to grow. The more time you give your investments, the more your money grows. For example, saving R500 every month for 10 years can grow to R103 276. Five years after that, it can more than double to R208 962 [3]. This example illustrates the “magic” of compound interest, and you only see its benefits in the long term. Also, most investments recover after down-markets and no market condition is permanent. It is important to know that you will not benefit from recovery if you sell out during a down-market period. Much like becoming physically fit, becoming financially fit needs time and consistency. However, if you stick to your long-term plan, designed for you by your adviser, it arguably is much easier.

---

1. https://tradingeconomics.com/south-africa/personal-savings
2. https://www.ceicdata.com/en/indicator/china/gross-savings-rate
3. Assumed growth rate of 10% per annum (a moderate aggressive risk profile assumed) and applied monthly.



Sherwin Govender

Sherwin has been a business development manager at Glacier since 2016, when he relocated to Cape Town from Kwa-Zulu Natal, where he had joined Glacier in 2011. He is responsible for developing and maintaining an investment intermediary portfolio of Sanlam tied agents and independent planners. This involves growing relationships with intermediaries through his support with technical expertise and planning. His career in financial services spans over 15 years, having fulfilled roles at Old Mutual Wealth, Nedbank Financial Planning and Alexander Forbes. Sherwin holds the following qualifications:

- Bachelor of Business Science in Finance and Economics, University of Kwa-Zulu Natal, 2004
- Postgraduate Diploma in Financial Planning, University of Free State, 2007
- Senior Management Development Programme, University of Stellenbosch, 2015
- MBA, University of Stellenbosch, 2021
- He is a Certified Financial Planner®

Glacier Financial Solutions (Pty) Ltd.

A member of the Sanlam Group
Private Bag X5 | Tyger Valley 7536 | Email client.services@glacier.co.za | Tel +27 21 917 9002 / 0860 452 364 | Fax +27 21 947 9210 | Web www.glacier.co.za | Reg No 1999/025360/07
Licensed Financial Services Provider | Glacier Financial Solutions (Pty) Ltd. is also a Licensed Discretionary Financial Services Provider FSP 770, trading as Glacier Invest | Sanlam Multi-Manager International (Pty) Ltd. | A member of the Sanlam Group

Private Bag X8 | Tyger Valley 7536 | Tel +27 21 950 2600 | Fax +27 21 950 2126 | Web www.smmi.com *|*Reg No 2002/030939/07
Licensed Discretionary Financial Services Provider, acting as Juristic Representative under the Glacier Financial Solutions FSP 770
Glacier International is a division of Sanlam Life Insurance Limited
Sanlam Life Insurance Ltd. | Email life@sanlam.co.za | Tel + 27 21 916 5000 / 0860 726 526 | Fax +27 21 947 9440
Reg No 1998/021121/06 | Licensed Financial Services Provider