

Long-term saving a challenge in SA

By [Gaongalelwe Moatshe](#)

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Long-term savings is still a challenge for the majority of South Africans, the latest Finmark Mark's FinScope SA 2012 survey findings show.

The survey, which was released earlier this week, shows that nearly half (48%) of South African adults are worried that they would not have enough money for old age or retirement, and that 83% do not have any formal retirement product.

"Consumers claim that saving products are complicated and they also don't know the right facility for them," says FinMark Trust CEO Prega Ramsamy.

"They say that the formal financial sector needs to come up with easier and understandable products," Ramsamy says.

Only 25% of adults claim to have enough money to save after covering all their spending needs.

Despite coming from a low base, there is impressive growth since 2004 in the penetration of pension funds (9% to 12%), provident funds (6% to 10%) and retirement annuities (6% to 9%).

Membership of informal savings or investment groups and stokvels has also grown from 7% in 2004 to 11% in 2012.

There is scope for far greater take-up of formal retirement products: whereas 52% of wage or salary workers personally earning R2 000 or more per month have some form of formal retirement product, only 16% of non-salary earners in the same income bracket do.

Ramsamy adds that most consumers are sceptical about the banking system.

"They need to gain trust through security issues such as fraud and misconceptions.

"The consumers don't look at banks as trusted investors. Security is important to consumers and they want to be assured that their future aspirations will be taken care of," he says.

FinMark Trust chair and managing director of Banking Association of South Africa, Cas Coovadia, says: "Banks are working hard to better financial education on technological platforms to encourage the culture of saving in SA."

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