FRIDAY, 10 JUNE 2022

irfa dispatch

THE RETIREMENT INDUSTRY NEWSLETTER

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Safeguarding your clients against retirement Armageddon

The latest in a long line of annual retirement tracking studies shows that six-in-10 South Africans expect to rely on their children for financial support through their golden years, while one-in-three have not bothered to do any retirement funding calculations at all. These and other statistics shared in the Just Retirement Insights 2022 confirm that most of us face a ticking retirement time-bomb, that only a professional financial adviser can defuse.

Will Janey and Joey have to get you through?

As this writer paged through the 36-page study report, he was reminded of his university induction many, many years ago. At the time the head of department lined us all up, and told us to look left and right, predicting that by the end of our fourth, these two 'faces' would have dropped out of the programme. I.e. one in three who started the degree would not make it to graduation … and how right he was! In the retirement funding context: get in line, look left and right, and memorise the 'faces' who will have to depend financially on their little Jane or Joey deep into their 70s, 80s and 90s.

The fact that so many of us are in for an uncomfortable retirement is bad news for government and our heirs, but great news for the thousands of financial advisers and planners who earn a living from helping people navigate their life financial plans. Think about this statement for a moment: you offer products and services that address a need, and this need is acknowledged by the market you hope to sell your 'wares' to. According to Just SA, having an income in retirement that continues for life has been "the top priority across four consecutive surveys conducted since 2018". And this cry for help from retirement savers is best responded to by advisers and planners.

Uncertainty is blighting SA's financial planning landscape

One of the independent retirement tracking study's key observations was that savers are seeking certainty, though there does seem to have been an easing off in certain areas as the country slowly emerge from the pandemic cloud. "When so many factors are uncertain and unpredictable, it is natural to seek out security," said Deane Moore, CEO at Just SA. "This might explain why the preference for certainty that we saw established during the COVID-19 crisis seems to have become a more permanent shift, as the world moves through another set of crises". Locally, retirement savers have to worry about crime, load-shedding, municipal collapse, soaring petrol prices, staggering unemployment and a litany of other issues before they even get to turn their attention to savings. The financial planning focussed slides contained in the 2022 survey report were full of contradictions. For example, 63% of survey respondents strongly agreed that it was important to set their financial planning objectives based on their retirement needs, yet only three-in-10 said they did, or intended to, use the services of a professional financial adviser and the same number had not bothered to do any retirement funding calculations. Another bizarre finding was that 56% admitted to being financially impacted by lockdown and 45% had dipped into their retirement savings to survive the hardship, yet the number who strongly agreed that it necessary to plan ahead for financial security had dropped from 74% in 2020 to just 52%.

The pandemic uncertainty has also wreaked havoc on retirement savers' risk appetites. It seems that most respondents lent towards 'disagree' when confronted with the statement *'I do not mind taking risks with my money for savings or investment purposes'*. The pre-Covid surveys showed that between 40% and 46% were risk averse insofar their savings activities, which number unsurprisingly jumped to 65% in 2020, and receded to 52% in 2022. According to Just SA, there were three retirement themes that emerged from this year's online and telephonic survey of over 380 pre-retirees and retirees between the ages of 50 and 85, namely financial planning, financial endurance and financial certainty.

Mismatches in actual versus expected mortality

The financial endurance theme explored mismatches between how many years survey respondents expected to spend in retirement versus what their experience was likely to be. Here follows another of life's wonderful contradictions, with more than 90% of respondents indicating their health was 'better than average' juxtaposed with every respondent expecting to die well before the average life expectancy for their birth year. Getting life expectancy wrong means that most survey respondents were saving for retirement based on spending 20 years in retirement versus the reality of 25 years or longer. And this has the potential to worsen retirement outcomes.

Worryingly, when asked who they would turn to should their retirement money run out in future, 57% of respondents expect to call on their children or grandchildren and 42% their siblings or other family members. As with most surveys of this type, respondents were unclear on how much they needed to save for a sustainable retirement. **Full Report:** ***https://www.fanews.co.za/article/retirement/1357/general/1358/safeguarding-your-clients-against-retirement-armageddon/34702***

FA News | 9 June 2022

Attach pension of maintenance defaulters, proposes legal reforms body

Child maintenance defaulters who quit work as a way of dodging their obligations have something coming their way.

The South African Law Reform Commission (SALRC), the body responsible for legal reforms in the country, has recommended that the Maintenance Act be amended to allow for attachment of a portion of pension benefits of such defaulters. The same should apply to those retiring or dismissed from work. “It is the Commission’s view that the act should regulate the issue of future maintenance and give the maintenance court the power to make an order for future maintenance,” said the SALRC’s discussion paper, titled *The Review of the Maintenance Act*.

“To make this possible the definition of ‘maintenance order’ in the act needs … to include a provision that should a maintenance debtor resign, retire or be dismissed from his or her employment or is due to receive any lump sum from any source, while he or she still has a duty to maintain, then a pension benefit or that lump sum may be attached to secure future maintenance.” The discussion paper pointed out that high courts granted orders for future maintenance despite the Maintenance Act currently not prescribing this. “It is encouraging to note that the courts have taken a lead in rectifying this anomaly in the legislation,” said the document.

“In all cases, the maintenance courts had been unable to assist the applicants for maintenance, mostly because the act is silent or does not regulate future maintenance, but only deals with arrears. “But however noble the endeavours of the courts, a legislative prescription is required to ensure that, first, there is consistency in the orders made by the various courts for future maintenance; and secondly, to ensure that the rights of beneficiaries are protected from errant maintenance debtors – who would otherwise squander the money that should be earmarked for the future maintenance of children.”

The SALRC made an example of a case in which Public Protector Busisiwe Mkhwebane stepped in to assist a mother after the Government Employees Pension Fund (GEPF) failed to comply with an order to pay a sum of money from the father’s pension fund towards future maintenance. A court granted an order for the attachment of R344 000 of the defaulting father’s pension fund held at the GEPF. A mother approached Mkhwebane on grounds that the GEPF failed to comply with that order. Following the public protector’s intervention, the GEPF implemented the court order and paid the mother. The SALRC also referred to a 2010 case that ended up in the high court after a father defaulted on maintenance payments for his minor children. “The father had in fact voluntarily stopped working precisely so that he would not be expected to pay maintenance,” said the discussion document. An application for execution against his pension was unsuccessful on grounds that the Maintenance Act did not regulate pensions. The mother appealed at the high court, which ordered that the money be attached to pay for future maintenance of the children.

“The cases illustrate the need for future maintenance of children to be regulated by the act in much the same way as arrear maintenance,” said the SALRC. “If benefits such as pensions, annuities, gratuity or compassionate allowances and other similar benefits can be attached to recover arrear maintenance, the same should be possible with regard to future maintenance. “Both types of claim are aimed at securing the rights of maintenance beneficiaries.”
The public has until June 30 to comment on the proposals.

The Star | 7 June 2022

Protect the value of your retirement savings from the impact of inflation

A major consideration when saving for retirement is the impact of future inflation. This is particularly critical in times when inflation is high or accelerating, as we are seeing now. In December 2021, South Africa's headline Consumer Price Inflation hit its highest peak of 5.9% since March 2017. The price of food and non-alcoholic beverages increased by 5.5% year-on-year and transport increased by 16.8% due to the rise in petrol and diesel prices. Rising inflation, combined with a subdued economy that has been adversely impacted by the COVID-19 pandemic, have placed considerable pressure on the cost of living. Inflation has been relatively low over the past few years, and is expected to be much higher in the near future.

This is concerning as inflation can take a toll on your standard of living by decreasing the purchasing power of your income. Inflation is defined as the general increase in the average price level of a basket of selected goods and services in an economy, and when there is a rise in this general price level, each Rand purchases less goods and services. Higher inflation also leads to relatively higher increases in medical aid contributions, which is a critical expenditure for people who have retired. It is important for individuals to factor in the effects of higher inflation when planning for retirement and making critical financial decisions. These decisions include:

- The type of annuity product chosen at retirement - typically a living annuity or a life annuity, or something in between such as a with-profit annuity which provides a regular income for life, with increases to this income based on investment performance.

• The most appropriate investment strategy, and income draw down rate, if investing in a living annuity.
• The planned lifestyle and, consequently, income requirement after retirement.
• The initial levels of income provided by the annuity product and how the income levels increase each year - this is critical in times of high inflation and as the cost of daily expenses increase.

In the case of a living annuity, if the initial income is not set at a level that accommodates future inflationary increases, the capital value of the annuity will deplete sooner. In the case of a life annuity, a fixed income annuity may initially provide a high level of income, but in a high inflationary environment, the purchasing power of the fixed payments will erode quickly. One needs to consider the detrimental effects of inflation, and its impact on the cost of living, especially for future years to come. Financial advisers should be mindful of the above when providing individuals with sound financial advice in making these complex decisions.

FA News | 2 June 2022

Power and influence: Retirement funds are uniquely positioned to drive ESG

In South Africa, as with most countries, retirement fund assets represent the largest source of invested assets in the country by a significant margin. This puts them in a singularly strong position to drive the shift to investing sustainably and for positive impact. According to National Treasury, South Africa has slightly over 5 000 active retirement funds that preserve the long-term assets of more than 16 million contributing members and retirees. And South African retirement funds account for around 100 percent of the country's annual gross domestic product (GDP). To date, retirement funds have been able to spend an estimated R4.4 billion in various sustainability initiatives, such as renewable energy and affordable housing projects.

Within this context, this year's Sanlam **Benchmark** Survey – an annual body of research into the state of retirement funds and retirees in South Africa – has revealed an increased focus on ESG. The Benchmark Survey results will be released on 14 June. Sanlam, through its investment arm Sanlam Investments, has partnered with leading global sustainable investment firm, Robeco, to tap into its decade's long experience in sustainable investing. Darryl Moodley, Head: Tailored Investments at Sanlam Corporate and Lucian Peppelenbos, Climate Strategist at Robeco will consider the moves South Africa's retirement and investment industry must make to accelerate the journey to sustainability, especially as it pertains to the issue of climate change.

Moodley says, “We are hoping that the findings of the 2022 survey encourage more meaningful and widespread discussions and co-ordinated action around the impact of ESG and climate change on the environment, and retirement funds in particular.” In the lead up to this, Moodley and Peppelenbos shared their thoughts on the current state of ESG in SA, from the context of retirement funds.

The role the retirement fund industry play in driving ESG in a country

It is notable that the retirement fund industry manages a significant pool of assets and, therefore, has a large role to play in driving ESG forward. Moodley says that ”As long-term investors, retirement funds are innately exposed to ESG risks and should have strategies in place to address it. Wider than the direct financial impact on their members, retirement funds are custodians of a significant amount of capital, and therefore are influential stakeholders in the determination of economic and strategic policy. Peppelenbos agrees that the stewardship responsibility of retirement funds is huge as they can influence policymakers and the companies they invest in.

Funds can certainly exclude some companies that they believe are not up to standard and send a strong signal to the market. However, he adds that they will remain invested in most companies – and this is where a strong approach to voting and engaging with companies to advance sustainability practices is vital. Additionally, there are several elements to consider, most importantly the asset allocation of a fund:

- Not all assets will be invested in their home country. In Europe, for example, most funds invest globally, which makes the potential impact in the home country limited.
- Most assets will be invested in liquid markets, where the impact on ESG is more indirect (influencing share prices and bond yields) than, for example, if a retirement fund invests directly into clean energy or microfinance projects. It also requires a lot of management attention and building up skills to invest in those asset classes. So, Peppelenbos highlights the importance of considering the impact you can have and where it ends.

The global sustainable investment trends

Peppelenbos noted how Robeco’s sustainable and impact investing strategies were growing much faster than traditional investment strategies. Robeco’s biannual climate survey has shown that 75% of institutional investors globally see climate at the centre of, or a significant factor in, their investment policy. Moodley added that, in the SA context, he has seen that retirement fund decision-makers are developing their knowledge around ESG, and are beginning to actively engage their advisers, asset managers and investee companies. Climate change has been extremely topical, and he expects that the Benchmark Survey will reveal that it will rank as one of the more significant factors in the construction of an investment strategy.

Peppelenbos explained how three clear trends have driven – and continue to drive – the surge of sustainable investment in European retirement funds:

1. The importance of ESG issues, particularly climate change, has become very clear. Sustainability is driving a change in markets that companies and investors must adapt to.
2. An increase in scrutiny from society into the business practices of companies.
3. Currently in Europe, regulation is an important driver. The implementation of the EU plan for financing sustainable growth has had a large impact in terms of transparency, and on the ESG practices of asset managers and pension funds.

The impact of regulation

Currently, there is no requirement to invest sustainably either in SA or Europe. There is however EU regulation which focuses mostly on transparency and accountability, and, through these, the end investor should be able to compare apples with apples. The regulator expects that with enhanced transparency all practices will also improve. With the recent launch of the SA Green Finance Taxonomy, Moodley agrees that a common reporting framework will drive enhanced transparency and, ultimately will foster more sustainable investing practices, particularly as it pertains to investing for positive impact. And despite the challenging investment environment experienced in 2022, he is increasingly seeing clients consider impact as a "double-bottom" line strategy – one that is able to deliver both tangible positive impact as well as competitive commercial returns.

Navigating a "just transition", bearing in mind the social impact

Moodley explains how navigating a "just transition" is a complex issue, as our economy is highly dependent on fossil fuels and will likely remain dependent over the next few decades. SA firms that are significant carbon emitters are also big employers, so it is important to be able to re-skill individuals as we navigate to an economy that is less carbon intensive. And for a country with significant unemployment and inequality problems, these issues are far more pressing.

Additionally, emerging market countries (such as SA), emit far less greenhouse gases than developed countries, and should therefore be afforded a longer runway to transition away from fossil fuels. It is trite that many investors, including retirement funds, are considering "exclusionary" criteria and disinvesting from listed companies who are significant carbon emitters. However, Moodley believes that simply disinvesting does not address the problem – it merely shifts it to the unlisted space where there is less oversight and a lack of disclosure requirements. Peppelenbos agrees, in that the key is rather foster meaningful engagement and vote, to exert influence on companies to address material ESG issues.

FA News | 9 June 2022

New retirement report suggests a more permanent mind shift from flexibility to certainty

Retirement income specialist Just SA today announces the results of its **2022 independent retirement tracking study**, which suggests a more permanent mind shift in what pensioners want from their retirement income.

Having an income in retirement that continues for life has remained the top priority across four consecutive surveys conducted since 2018. At the same time, the flexibility to decide how much income to draw has dropped three positions in importance since the last results in 2020. This suggests that the pandemic and other macro issues such as accelerating inflation have served as catalysts to change the mindset of pensioners to one that is geared towards certainty. Just SA CEO Deane Moore says: "When so many factors are uncertain and unpredictable, it's natural to seek out security.

This might explain why the preference for certainty that we saw established during the Covid crisis, seems to have become a more permanent shift, as the world moves through another set of crises." At retirement, a pensioner's salary stops, but their expenses continue, and they look to replace that salary with a reliable income. "Once that need for security is addressed, then they tend to value flexibility," says Moore. When analysing the full results of the 2022 study, which was conducted via online and telephonic interviews with over 380 pre-retirees and retirees between the ages of 50 and 85, three predominant retirement themes emerged: financial certainty, financial endurance and financial planning.

Retirees live in an age of uncertainty

Just SA's survey reveals a lingering financial effect of the pandemic, coupled with fears of rising inflation, and an increasing need to dip into retirement savings. South Africans over 50 are no more confident in 2022 that they have enough retirement savings, with only 2 in 5 believing that their income will cover monthly expenses should they live to 100.

The message of increasing longevity is not getting through

Worryingly, when asked who they would turn to should their retirement money run out in future, 57% expect to call on their children or grandchildren, with 42% looking to siblings or other family members. And while external research shows that people need around 20x annual income for a sustainable retirement, the average respondent admits to having saved only 10x, with many having not even saved 2x. Unsurprisingly, then, the overwhelming majority (70%) also acknowledge that they will need to change their lifestyle if investment markets fall by more than 10%.

Retirement planning is still seen as very important

Similar to 2020, when the study was last done, an overwhelming majority (80%) feel it is important to set retirement objectives, yet ironically, only 52% are planning ahead, which is down 20% compared to 72% in 2020. Only 3 in 10 use or intend to use a financial adviser to help them determine a suitable roadmap ahead. Shockingly - considering the age group of the respondents - as much as a third have not done any retirement calculations at all, citing not knowing how (28%) or not having enough money to plan (26%) as their main reasons why. Moore finds the overall findings of the 2022 tracking study concerning for a variety of reasons.

“Not only does Just Retirement Insights 2022 reveal a continued lack of confidence among retirees about their financial future, but also a disconnect between their expectations and the reality of retirement.” He concludes: “If we could share one clear message to South African pensioners, it would be that it is possible to secure an income for life so that you never feel you are a burden on your children. Life annuities provide guaranteed income for life to cover essential expenses and any remaining assets can be invested to draw on when needed.”

FA News | 9 June 2022

One pint of ESG -aligned return please

Forcing an assortment of bonds, equities, property and private market opportunities into an environmental, social and governance (ESG) aligned investment template is proving to be more difficult than initially thought. It turns out that fund managers, and the advisers that market their wares, still have a long way to go before they figure out which tap to pull when a clients asks: one pint of ESG-aligned return please.

ESG does not sustainability make

“The big mistake the world has made is believing that investing in ESG equals investing in a sustainable future: it does not,” said Anne Cabot-Alletzhauser, Practice Director for the Responsible Finance Initiative at GIBS Business School, during a no-holds-barred commentary on ESG investing practices and outcomes. Her 40-minute-long presentation to the 2022 Old Mutual Wealth Advice Forum explored the relationship between client, financial adviser and fund manager as each contemplated the best way to allocate capital for impact and sustainability.

“Your clients want to know that their money is being deployed in a way that will not just bring them return, but also improve the world that they live in; stakeholders across the asset management value chain have realised that they must start integrating social and environmental factors alongside the purely financial," she said. The easy part of the discussion was handled within 60 seconds; but things became more technical over the ensuing 39 minutes, with many furrowed brows in the audience. The real debate started with the observation that a high sustainability rating was not an accurate measure of a fund's impact. This observation was backed up by reflecting on a flow-of-funds study conducted by Morningstar around 2016, and dubbed by the presenter as "the curious case of Morningstar's sustainability ratings".

This study highlighted the fact that when Morningstar added sustainability ratings to their existing fund assessments, there was a dramatic surge in the flow of funds towards those funds with high sustainability ratings and away from funds with low sustainability ratings. The puzzling part was highlighted in a follow-up study five years later: contrary to investor expectations, these funds did not out-perform. In hindsight, the answer as to why this was the case is obvious.

Sustainability ratings a poor starting point

"When we measure fund performance on purely financial terms, we expect to see an improvement in performance from the start of our investment to the end … when you are using service-provider data to measure a fund's 'sustainability' or effectively its ESG rating, and you start with highly rated funds, the chances are that that information is already reflected in the value of the fund, Cabot-Alletzhauser explained. "Much of the assessment data used in ESG and sustainability ratings is backward-looking; more importantly though, most of this data does not reflect an improvement in a company's rating from one year to the next".

Since asset managers typically want to invest in something that is going to improve and create value over time, it is antithetical to use high sustainability ratings as a starting point for investing. This leads us back to Cabot-Alletzhauser's most important point: <u>Funds that have high ESG ratings do not necessarily translate into 'sustainable' investments</u>, i.e. funds that will be able to change the world. She makes the point that international organisations such as the UNPRI or those that promote alignment to net-zero carbon emissions have only recently come to understand that translating ESG into sustainable outcomes can only be achieved through completely rethinking portfolio construction.

Challenging the status quo

Against this backdrop, some have started challenging the asset management industry's obsession with impact and sustainability, saying: <u>the only thing more dangerous than no progress, is the illusion of progress</u> and accusing the industry of selling an illusion. The problem, it seems, is not with the investment principles nor what clients want, but rather with how fund managers are integrating sustainability into their methodologies. Can investing in

ESG make an impact? Yes it can; but for asset managers to demonstrate that they are achieving this for their clients the industry will require a complete cultural shift in the way it manages money:

- It will need dynamic benchmarks that are able to capture the improvement required in whatever it is you want to measure.
- It will need better data that captures not just what a company intends to do, but whether they have achieved their strategic goals around ESG.
- It will need reporting standards that highlight not just the financial performance of a fund, but whether the companies in that fund were able to meet their sustainability targets.
- It will need an independent vetting and verification facility to protect clients against greenwashing or the risk that a the marketing promise being made on the fund is not achievable given the fund's structure.

Simple solutions to a complex problem

We drew the following five conclusions from Cabot-Alletzhauser's presentations, though we could not hope to summarise all of the points made:

1. We must appreciate that we are asking asset and fund managers to do something they have never done before, because to solve for sustainability requires them to tackle and understand complex issues like climate change, development theory and inequality.
2. We must understand that a good ESG scores does not translate into a good sustainability performance. This should be obvious given the number of providers offering ESG scores, with correlations as low as 66% between two measures of the same construct. "If your ratings are only looking at what impacts on the company, and not at how the company is impacting the world around it, you are going to miss that whole perspective," noted Cabot-Alletzhauser.
3. We must be cognisant that ESG ratings, especially when presented as an aggregate over a portfolio or fund, can be manipulated. For example, a portfolio manager could bulk up on IT shares and disinvest from resource shares, achieving a better ESG rating without influencing any change. **Full Report:** ***https://www.fanews.co.za/article/investments/8/general/1133/one-pint-of-esg-aligned-return-please/34704***

FA News | 9 June 2022

INTERNATIONAL NEWS

India to seek pact on social security funds with Canada

In a move to secure social security contributions of Indian workers, labour minister Bhupender Yadav is going to make a fresh pitch for a social security agreement with Canada and Morocco. Yadav is expected to hold discussions with his counterparts from the two countries in Geneva, where he will attend the International Labour Organisation's global labour conference.

Apart from creating parity in services rendered, these 'Totalisation Agreements', sources said, will ensure that Indian citizens working in the two countries will receive social security benefits they are eligible for in India, while they work abroad (like PF or pension). The The agreements will also eliminate double taxation on earnings.

India has signed social security agreements with 20 countries. One agreement with Brazil was signed in 2020 but is not operational as yet. India has been seeking a Totalisation agreement with the US, which has refused to accept EPFO or the national pension system as social security schemes.

The Times Of India | 9 June 2022

OUT OF INTEREST NEWS

How to cut spending and save money

Savings in SA have reached the lowest level since 1990.

Saving money is deemed important for several reasons, especially for South Africans who are big on spending. According to the Investec GIBS Savings Index, savings have reached the lowest level since 1990 and have declined for eight consecutive years. For a developing economy like South Africa, saving is very important as it contributes to the growth of the economy, it increases investment and increases incomes, which in turn leads to increased savings. High levels of growth also bring in savings from other countries in the form of foreign investment which contributes to a virtuous cycle of savings and growth. South Africa, however, finds itself faced with the challenge of poor levels of savings. For an economy that experiences high levels of unemployment and poverty, why are we not able to improve on our savings levels?

Below are tips on how to cut spending and save money.

Sort out your debt

The first thing to do before you start saving would be to sort out your debt. Those monthly debt payments are one of the biggest challenges when it comes to saving as it robs you of your income. So, to get rid of your debt, try using the debt snowball method where you pay off your debts in a specific order – from the smallest amounts to the largest amounts. It might sound impossible at first, but once your debt is all paid up, you can move forward and focus on your saving goals.

Grocery shopping preparation

It’s so easy to get caught up when doing grocery shopping and end up overspending on things you didn’t even plan on purchasing in the first place. You would have spent more than what you initially budgeted for leaving you with less money for your other monthly expenses. To avoid overspending, plan your meals a week beforehand. When doing this, check what’s left in your pantry as you might find an extra tin of coffee or baked beans that you can tick off your list. This prevents unnecessary spending. Another thing to do is to stick to what’s on your list, especially when walking down that luxury isle with all your favorite chocolates. Temptation is the biggest enemy as you end up buying things you do not need but want instead.

Do it yourself (DIY)

It’s shocking to see how much money we spend on things we could do ourselves. Before heading to the store, try doing it yourself. If by any chance, you can’t seem to hit the nail on the head, try asking a friend or neighbor for help. If you are in need of tools or materials, try borrowing from your neighbor or friend before heading to the store and spending unnecessarily.

Create a 50/30/20 budget

A smart way to manage your money would be to follow a budget, which means prioritising your spending by allocating portions of your income to your monthly expenses. This approach is where 50% of your income is allocated to necessities (needs), 30% is devoted to wants and 20% to savings and other debt payments. If by any chance, you exceed one of your allocations, try making some adjustments elsewhere.

Record all expenses

In order to save money, you need to know how much you spend. Keep track of all expenses whether it be spending on food, monthly payments or household items. Go through your bank statements to ensure that you’ve included everything. Make sure to keep receipts as well. Once you have an estimate of how much you spend a month, only then can you decide on how much to allocate towards savings.

Compare insurance

Insurance is something every working individual should have, whether it be life, health or travel insurance. Don't just renew your insurance every year. Every six months to a year, enquire and look for better rates with different companies. Ask for quotes to get a better idea of what you're being offered. Make sure you are getting the best deals for the least amount of money.

Pay with cash

Studies show that most people tend to spend more when using their credit card because it doesn't make them feel like they're overspending. When you carry cash, you will stick to spending what you have. Once this becomes a habit, you will start planning your expenses beforehand and carry just enough for your needs leaving no room for excessive spending.

Purchase off-season

Making off-season purchases can save you a lot of money. Items are usually cheaper when it is sold during the off-season. For example, if you need outdoor winter gear, purchase it at the end of spring or in summer. If summer is approaching and you're in need of swimwear, purchase it in winter or the beginning of spring.

Invest in a retirement fund

Studies show that only 10% of South Africans save enough for retirement and less than 10% of savers accumulate enough to retire comfortably. The best way to save for retirement is to invest in a retirement fund such as a retirement annuity, pension fund or preservation fund. Saving early for retirement results in reduced income taxes, more financial freedom when you retire, and compound interest being your best friend. The recent surge in prices of basic goods like food and petrol has left many households with little to no disposable income for savings. However, it is of utmost importance for South Africans to make saving a priority. While we are known for our spending habits, we could use the advice provided to spend more wisely.

Moneyweb | 30 May 2022