



OLDMUTUAL

SAVINGS &
INVESTMENT MONITOR

|||| COVID-19 SPECIAL REPORT



DO GREAT THINGS EVERY DAY

THE TIME IS NOW

KNOW BETTER |||||
DO BETTER



OMSIM: Financial Education Tips

OMSIM Findings



Financial Education Tips

CREDIT LIFE INSURANCE



- Enquire from your bank if you have credit life insurance linked to your credit agreement.
- Most people have credit life insurance but are not aware of it.
- If you have a credit life policy, check the terms of the policy. The **Ts & Cs** of these policies differ from one provider to the next in terms of what they cover, it's important to understand what you signed up for



UIF (TERS BENEFIT):

- File a claim against your UIF directly with your employer in line with the Temporary Employer/Employee Relief Scheme introduced by the department of labour. Your UIF should cover your shortfall



FINANCIAL PLAN /ADVISOR

- Review your Life policies & short term insurance
- Working from home could reduce your insurance premiums



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OMSIM Findings

INCIDENCE OF HAVING

“OTHER”



ADULT DEPENDENTS HAS INCREASED

43%  **52%**

IN 2019

IN 2020

THE OLD MUTUAL SANDWICH GENERATION INDICATOR

HAS **INCREASED** FROM 34%
IN 2019 TO 42% IN 2020
(THIS IS UP BY **15%** SINCE 2015)



Financial Education Tips



THE SANDWICH GENERATION (BLACK TAX)

- Most South Africans are already sandwiched between supporting their children and helping to care for elderly parents or relatives in need.
- This lockdown has certainly exacerbated this trend.
- Make your family aware that circumstances have changed, especially if you are a breadwinner.
- Play open cards about the debts you have to service so you can manage expectations and help your family adjust.



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FEEL **HIGHLY STRESSED** ABOUT THEIR FINANCIAL SITUATION



HAVE **FALLEN BEHIND** ON HOUSEHOLD BILLS OVER THE PAST 4 MONTHS

Financial Education Tips



FINANCIAL KNOWLEDGE AND CONFIDENCE

- During times like these knowledge plays a crucial role in the financial decisions we make. It's important to ensure you expose yourself to some form of financial education to ensure that psychologically, you are able to make the right decisions.



SIDE HUSTLE

- Also important to consider is that this may be the time to consider having a 'side hustle' to supplement your income.



LIFESTYLE ADJUSTMENT

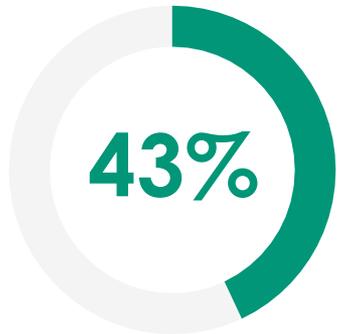
- Downscale your lifestyle to avail additional cash – consider changing your car or moving to a smaller house.
- Move children from private school to public school or change mode of transport

Seek guidance through financial education



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OMSIM Findings



**HAVE PERSONAL
LOANS FROM A
FINANCIAL
INSTITUTION**
(21% IN 2019)

Financial Education Tips



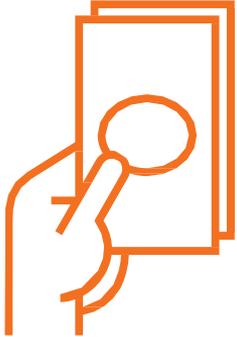
RESPONSIBLE CREDIT CONSUMPTION

- Use credit responsibly.
- If you have already consolidated your debts to ease the pressure, avoid further credit.
- Avoid taking loans to buy things in bulk,



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OMSIM Findings



23%

HAVE CASHED IN
SAVINGS OR INVESTMENT
POLICIES OVER THE PAST
FOUR MONTHS

Financial Education Tips



LONG TERM SAVINGS AND LONG TERM GOALS

- Take a long term view when it comes to savings and investments.
- Don't get tempted to disinvest because of panic. Markets are generally volatile during uncertain times but will self correct over time.
- If you happen to resign from your job during this time, avoid the temptation to cash out your retirement savings. Preserve
- Don't borrow from your future



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OMSIM Findings



HAVE HAD TO BORROW FROM
FAMILY OR FRIENDS

Financial Education Tips



PRESERVE YOUR RELATIONSHIPS

- A lot of family relationships have been compromised because of money issues.
- Whilst it may be cheaper to borrow money from friends and family members, consider how much it will cost you if you lost the relationship due to unfulfilled promises.
- Weigh up the Risks and make a call



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HAVE APPLIED FOR **A PAYMENT HOLIDAY/RESTRUCTURE** ON THEIR MORTGAGE BOND

Financial Education Tips



UNDERSTAND THE PROS AND CONS OF DEBT RELIEF PROGRAMMES

- Before you approach a credit provider or accept any offer of a debt relief or payment holiday make sure you understand the terms and conditions of the agreement.
- These agreements typically come with conditions attached to them such as increased interest and an extension on the repayment term.
- Understand how it will impact your budget now and over the long-term



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OMSIM Findings



HAVE ENOUGH MONEY TO
ONLY LAST 1 MONTH OR LESS
IF THEY LOST THEIR JOBS

Financial Education Tips



EMERGENCY FUND

- The current situation should serve as a learning experience to validate why it's important to save for rainy days.
- An emergency fund is not a luxury.
- Build an emergency fund over time to mobilize up to 6 months worth of a safety net.
- Loyalty programmes should form part of your emergency fund building strategy



LOCKDOWN MEDIA COVERAGE



THE TIME IS NOW

KNOW BETTER |||||

DO BETTER



PRINT COVERAGE

Publication: Sobotes Urban Firmville
Date: Friday, June 19, 2020
Page: 2

Publication: Sunday Times, Johannesburg (Johannesburg)
Date: Friday, June 19, 2020
Page: 2

How to handle a pay cut

The Covid-19 pandemic has brought the global economy to its knees, and inevitably many employers will need to contain costs by cutting salaries.

"Being hit with a salary cut or a retrenchment is something every employee dreads, but it's important not to panic and to manage the situation as responsibly as possible," says John Manyike, Head of Financial Education at Old Mutual.

"Even if you suddenly have to downgrade your lifestyle and spending habits, stay calm. Be aware of the various options that are available to you to minimise the knock of a reduced income."

Tips to manage the situation better:

Re-prioritise and adjust your budget

Now is the time to be realistic and disciplined when it comes to budgeting. Set aside your previous ideas of what you absolutely need versus what is a luxury item you can do without.

Having an emergency fund in place that is saved towards on a monthly basis should be part of every budget.

Negotiate with creditors

When your salary is cut, you may not be able to honour all debt obligations. To provide relief to their customers, financial services providers are open to extending repayment terms, which could reduce the monthly instalments and ease the pressure on your budget. But do check if additional interest charges are involved and think carefully before you decide.

It may help to also check whether you look credit life insurance when you signed up for a credit card or personal loan. Credit life insurance covers instalments for a period of up to 12 months if you are unable to earn an income, retrenched, temporarily or permanently disabled. Different service providers may have different terms and conditions, however it is worth enquiring before you attempt to make a payment arrangement.

Speak to your financial adviser to review your insurance cover

The best way to reduce premiums in lockdown – without abandoning cover altogether – is to reassess risk exposures and adjust short-term and long-term cover and premiums accordingly.

Reducing cover temporarily. A massive premium saving can be realised, for example, by simply changing the cover on an under-used vehicle while in lockdown from comprehensive to third party fire and theft.

Increasing excesses in line with reduced risk as claims are decreasing in lockdown. Even a minimal increase in excesses on any of your insurance policies may result in a reduction in premiums.

Make sure your family life policies but speak to your financial adviser to help you restructure your financial plan.

Talk to your family

Make your family aware that circumstances have changed, especially if you are a breadwinner. Play open cards about the debts you have to service so you can manage expectations and help your family adjust.

Explore alternative streams of income

Consider using your skills and hobbies to generate some additional income, to help fill the void left by the salary cut. It all depends on your skills set and if there's demand for it. For example, you are a fitness expert you may offer online classes, if you are a qualified teacher or subject matter expert, you could consider offering to assist parents with home schooling during lockdown.

Fixing your interest rate: consider the variables

With interest rates at a 50-year low, many South Africans might be contemplating whether now is the time to fix the interest rate on their home loan

WORD: MARIANA BRAND • IMAGE: SHUTTERSTOCK

THE CURRENT 5.25% reduction in interest rates offers January this year has not many homeowners looking at their banks to get a word of their other bank variable interest rate on their home loans and other debts.

People who think interest rate probably do so with the hope to keep their monthly repayment at the current low levels for at least the next few years until the Reserve Bank starts to raise rates once again.

Definitions

A fixed rate remains unchanged over the term of the loan, while a variable rate follows the rate adjustment made by your bank following Reserve Bank announcements, says John Manyike, head of financial education, Old Mutual.

An application for a home loan in the future on the basis of a variable interest rate, says Deon Boothe, CEO

Call Centre: "This once your bank business negotiator, can you apply for a fixed interest rate and then there's a 60% loan limit before the bank opens."

General rule

A fixed interest rate is higher than variable ones because it poses more risk for the bank. A fixed interest rate is usually not for a period of up to five years, or for which you'll have to pre-qualify, C. Coetzee says.

"The disadvantage of a fixed rate is that you may miss out on any rate drops that occur. On the other hand, a variable rate may be used by the Reserve Bank to raise rates over a prolonged period," Manyike explains.

Consider this

Adrian Goffard, regional director and CEO, BEXA of South Africa

Adviser: "It's really important that you consider the various implications of fixing your interest rate to ensure that they don't come to you."

Coetzee:

"The trick is that there are many reasons to variable interest rate fluctuations that it's important to talk with a bank adviser to see whether fixing your interest rate will be more beneficial for you in the long run than if you had your home loan subject to interest rate changes on a variable rate," Coetzee advises.

Goffard warns that those who choose to fix their interest rate should remember that they will not benefit from any rate drops in the interest rate for the duration of their fixed term loans unless they opt for a rate for a maximum of five years.

"Given our current economic outlook, it's possible that interest rates will be lowered even further. Anyone who



Even their interest rate will fall out on these savings," Coetzee points out.

That being said, those who choose to fix their interest rate will have the peace of mind of knowing that their monthly instalments will not change for the next five years, which is big for its budgeting.

"This is the reason for wanting to fix your interest rate. It would allow the other savings to be in your debt when applying for home finance. You will have far more flexibility and will be able to save more if you choose not to fix your interest rate but rather to have room to go on an extra 2% to the next repayment period. Interest rates have risen during our lifetimes," he says.

The costs of fixing it

There are several penalties with a strategy to fix your interest rate, says Coetzee. First, with the Reserve Bank's rate agency group. "The first is when your bank will charge a non-renewal penalty of between 1.5% and 3% to fix the interest rate on their fixed, and

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Page: 8

TIGHTEN YOUR BELT

MANY people earn less income than they did before the COVID-19 outbreak and resulting lockdown restrictions to help curb the spread of the virus.

"Whether they had to accept a pay cut from employers, receive the maximum amount available under the Department of Labour's TEAS (Temporary Employer/Employee Relief Scheme) benefit, or were retrenched, this had drastic financial implications for many people."

"The situation has forced many people to tighten the belt on their finances."

"Being hit with a salary cut or a retrenchment is something every employee dreads, but it's important not to panic and manage the situation as responsibly as possible," head of financial education at Old Mutual John Manyike said.

"Even if you suddenly have to downgrade your lifestyle and spending habits, stay calm."

"Be aware of the various options that are available to you to minimise the knock of a reduced income."

Below are Manyike's tips to better manage the situation

■ **Re-prioritise and adjust your budget**
Now's the time to be realistic and disciplined with your budget.

Set aside your previous ideas of what you need versus what you can do without. Having an

emergency fund you save toward monthly should be part of your budget.

■ **Negotiate with creditors**
When your salary's cut, you may not be able to honour debt obligations. To provide relief to customers, financial services providers are open to extending repayment terms, which could reduce the monthly instalments and ease the pressure on your budget.

It may also help to check whether you took out credit life insurance when you signed up for a credit card or personal loan. Credit life insurance covers instalments for a period of up to 12 months if you're unable to earn an income, are retrenched, temporarily or permanently disabled.

■ **Speak to your financial adviser to review your insurance cover**
The best way to reduce premiums under lockdown – without abandoning cover – is to reassess risk exposures and adjust short-term and long-term cover and premiums accordingly.

Reducing cover temporarily may result in a massive premiums saving. Also, increase excesses in line with reduced

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risk, as claims are decreased under lockdown.

Even a minimal increase in excesses on your insurance policy may result in a reduction in premiums.

■ **Talk to your family**
Make your family aware circumstances have changed, especially if you're the breadwinner.

■ **Explore alternative streams of income**
Consider using your skills and hobbies to generate additional income to fill the void left by the salary cut.

"Adjusting to a reduced income may be frustrating because of the impact it's likely to have on households," John said.

"If you're unsure about how to handle the situation, consult an adviser to avoid making rushed decisions you may later regret."

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Date: Tuesday, June 16, 2020
Page: 2

Pay cut can be handled

"Being hit with a salary cut or a retrenchment during the Covid-19 pandemic is something every employee dreads, but it's important to manage the situation," says John Manyike, head of financial education at Old Mutual.

"Even if you suddenly have to downgrade your lifestyle and spending habits, stay calm. Be aware of the various options that are available to you to minimise the knock of a reduced income."

Manyike gives tips for the management of the situation: ■ Re-prioritise and adjust your budget. Be realistic and disciplined when it comes to budgeting.

Set aside previous ideas of what you absolutely need, versus what is a luxury item you can do without. ■ Negotiate with creditors. You may not be able to honour all debt obligations.

To provide relief to their customers, financial services providers are open to extending repayment terms, which could reduce the monthly instalments. Check if additional interest charges are involved and think carefully before you decide.

Check if you took credit life insurance when you signed up for a credit card or personal loan. Credit life insurance covers instalments for a period of up to 12 months if you are unable to earn an income, retrenched, or temporarily or permanently disabled.

Speak to your financial adviser to review your insurance cover.

The best way to reduce premiums in lockdown – without abandoning cover altogether – is to reassess risk exposures and adjust short-term and long-term cover and premiums accordingly.

A massive premium saving can be realised, for example, by simply changing the cover on an under-used vehicle while in lockdown from comprehensive to third-party, fire and theft.

Keep life policies, but speak to your financial adviser to help you restructure your financial plan. ■ Make your family aware that circumstances have changed. Play open cards about your debts, so you can help your family adjust.

Explore alternative streams of income. Consider using your skills and hobbies to generate additional income.

"Adjusting to a reduced income may be frustrating because of the impact it's likely to have on households. If you are unsure about how to handle the situation, consult an adviser to avoid making rushed decisions that you may regret at a later stage," says Manyike.

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PRINT COVERAGE

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Date: Tuesday, March 24, 2020
Page: 15

■ CORONAVIRUS

Household costs to rise, but don't overreact

JOHN MANYIKE

THE CORONAVIRUS has affected various facets of life since it reached South Africa, and household finances will not be spared, but it's important not to overreact and make panic purchases or hasty financial decisions.

The urge to stock up on groceries is natural because of the uncertainty and anxiety the pandemic has caused. But you need to resist that urge, because over-spending could break your wallet. Retailers are unlikely to run out of stock because of the virus, and much of what you pile into your trolley, such as perishable products, could go to waste, particularly with load shedding, and your financial well-being could be severely compromised if you haven't planned or budgeted properly.

Be mindful of the impact of the early and prolonged closure of schools on your pocket. This step by the government, aimed at slowing down the spread of the virus, means children will be home for longer. This may result in increased spending to help keep them fed, entertained and occupied. It will also have a ripple effect on the rate at which household items are used up.

My advice to consumers includes:

- ◆ Avoid taking loans to buy in bulk. The nature of this pandemic is terrifying. However, you shouldn't be making financially crippling decisions



OVER-SPENDING to stock up on groceries could compromise your long-term financial well-being. | DOCTOR NGCOBO African News Agency (ANA)

that may lead to unnecessary debt. Load shedding is still with us. What will happen to all the perishables if you have limited electricity supply? The best approach is to monitor the situation closely daily without making long-term decisions.

- ◆ **Download educational games on phones and laptops.** Line up educational games and activities you can engage in as a family and to keep the children's minds stimulated. Network providers are starting to lower data costs as part of their response to the Covid-19. This will go a long way in making this exercise affordable.

- ◆ **Be proactive and approach your credit providers.** If your household income is affected due to the vulnerability of your industry – particularly if you expect you will struggle to service your debts – don't wait for debt collectors to knock on your door. Make arrangements in advance.

- ◆ **Cultivate a culture of responsible consumption.** Money, food, water

and electricity must be used sparingly during these uncertain times, as we do not know how long it will take to contain the virus. Other countries were forced to shut down to limit local transmissions of the virus, therefore responsible consumption cannot be overemphasised. Avoid any form of wastage.

- ◆ **Check your insurance and medical scheme cover.** Make sure you know what medical and insurance cover you have in place, and whether it applies during a global pandemic. If you have travel insurance, make sure you understand all the terms and conditions it stipulates. If you don't, contact your insurer immediately.

- ◆ **Take a long-term view when it comes to investing.** Don't be tempted to disinvest because of panic. Markets are generally volatile during uncertain times, but this is temporary.

John Manyike is the head of financial education at Old Mutual.

Publication: Star (Country Edition)
Date: Monday, March 23, 2020
Page: 4

■ MONEY

It's time to find new ways of doing things

MPILETOSO MOTUMI

SOCIAL distancing, schools closing and working from home is becoming the new normal.

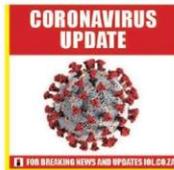
John Manyike, Old Mutual's head of Financial Education, said this was the time for people to change their household habits.

"For entertainers who rely on gigs from performing every weekend, it's going to be a struggle. The restaurants as well, people are starting to feel uncomfortable with going out, so for waitresses who rely on tips as their main income, it will be hard. With fewer people going to malls, you're likely to have a situation where those who are not permanently employed will

not have any work."

Manyike said there would be a lot of people whose income would be severely affected by the coronavirus precautions.

"You need to be proactive – don't wait for the credit providers to come knocking on your door. Approach them and give them proof of your income and budget and make a proposal. In some instances you may need to enquire on policies and find out if they have a 'premium holiday' feature that allows you to resume premiums after a period without



the policy lapsing."

Manyike said panic shopping did not help. "How people behave around you influences how you behave. When people start buying out of panic we also jump on the bandwagon and get scared. We don't want to see a situation where people borrow money in order to buy food and stock up. This was an unprecedented panic mode, so the pace at which the retailers had to replenish the stock was not where it was supposed to be because it was not anticipated."

He said people with policies

and investments should not be tempted to disinvest. "Markets are generally volatile, especially in uncertain times, but selling off can be riskier. Rather take a long-term view when it comes to investment."

He said for parents who were faced with having to take care of their children throughout the day, there were ways to save money.

"Parents will need to encourage responsible consumption of food, water and electricity."

Manyike said people needed to stop thinking irrationally and focus on the things they could control.

"Uncertainty makes people scared, but over time things will go back to normal."

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BROADCAST INTERVIEWS





SOME OF THE TIER ONE MEDIA THAT GAVE US COVERAGE:



The Star



HOME OF THE AFROPOLITAN



SOME OF THE TIER ONE MEDIA THAT GAVE US COVERAGE:



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