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Old Mutual research probes impact of financial pressures on South Africans

Millions of South Africans are feeling heightened financial pressures due to the Covid-19 pandemic and lockdown as well as the recent unrest that unfolded in some of our provinces, says Old Mutual.

The Old Mutual Savings and Investment Monitor (OMSIM) annual research report is a clear indicator of how the habits and behaviours of working metropolitan households are shifting.

"There is no doubt that consumers are having to take a much closer look at the way they manage their money and many are having to adapt their lifestyles to survive," states Lynette Nicholson, Head of Research at Old Mutual.

To build on the 2021OMSIM findings, Old Mutual conducted an additional 'rapid results' survey in July to assess whether the recent unrest had further eroded people's sense of wellbeing.

This July survey revealed that people's confidence in the South African economy dropped a further 3%, from 34% to 31%, the lowest level recorded in the history of OMSIM. The percentage of respondents who made emergency funds a priority also went up - from 37% to 40% - over this short period of time.

An interesting new statistic revealed in the July report showed that 23% of the working metropolitan population say they are checking/have checked that they have enough insurance protection in place.

Nicholson believes this year's main OMSIM results are surprisingly encouraging considering the very challenging backdrop. "The Covid-19 pandemic seems to have jolted many of us into facing up to financial realities that we may have been in denial about in the past. For example, 87% of South Africa's working metropolitan householders claim that the pandemic has changed the way they think about and manage their finances."

The research also indicates that although job and income security remains the top financial priority for 65% of working metropolitans surveyed, they are also prioritising the way they manage their money. Around 62% of households are cutting expenses where they can, 50% (up 10% from 2020) are prioritising paying off their debts and 37% are now making sure they have enough emergency funds, up from 33% in 2020.

The survey also found that:

- 39% of respondents have switched to cheaper supermarket brands
- 25% moved to a cheaper cell phone or data options
- 31% replaced gym subscriptions with exercising on their own/at home
- 18% moved in with family members and 16% had family members move in with them to reduce living expenses

- 69%, are taking advantage of rewards and loyalty programmes that offer opportunities to pay less for everything from fuel to food and other household products. This is up from 54% in 2020.

A leading trend identified by the research has been the growth of multi-earners, or "Poly-Jobbers", a term Old Mutual coined for those working metropolitan individuals who have more than one job and more than one source of income.

A significant 47% (10% more than in 2017) of the research respondents are Poly-Jobbers. This enterprising group combine their permanent employment with another form of formal employment (contract work) or a side hustle (informal employment).

"Having a supplementary income is no longer deemed a luxury and it is highly likely that we will continue to see an increase in the number of people who pursue this route as a way to keep afloat in these tough economic times," Nicholson believes.

Being a Poly-Jobber and having additional streams of income has many benefits. Apart from helping you to reach your financial goals faster, it improves your financial stability and relieves financial stress. Importantly, it also enables you to find optimal ways to invest for the future.

"By taking advantage of our new normal online lifestyles, many of us now have the opportunity to learn more, upskill ourselves, find ways to develop our talents and make money from those skills," says Nicholson.

Currently 44% of the working metro working population claim they are learning something new or upskilling.

However, the research also shows that the pain and difficulties of the past 18 months have led to some behavioural shifts that could have negative long-term consequences.

For example, 43% have taken out a personal loan from a financial institution, 25% have cut down on or cancelled car/household insurance or moved to cheaper options, and 20% have cut down on or cancelled medical aid cover or moved to cheaper options.

Indebtedness is likely to continue rising, considering that 54% have dipped into savings to make ends meet, 34% have fallen behind on household bills, 34% have borrowed from family and friends, 31% have cashed in savings/investment policies, 28% have fallen behind on store card payments, 32% have fallen behind on credit card payments, and 19% have fallen behind on rent or home loan payments.

Furthermore, the OMSIM 2021 research shows that one in three (34%) respondents do not have enough savings to last more than a month (at most) if they lost their income/jobs.

To add to the concerning state of people's financial situations and the high or overwhelming financial stress experienced by 56%, there is also a continuation of multi-generational dependency.

More than half (51%) of respondents have adult dependents, one in three (31%) say they are giving support to more people since the start of Covid, and 43% are firmly wedged in the sandwich generation, meaning they are breadwinners who financially support ageing parents and/or grandparents as well as their own children and/or grandchildren and other relatives.

Not surprisingly for a nation known for its optimism and positive outlook, 61% of the survey respondents believe the financial outlook will "improve" in the next six months. Generation Z (currently 18 – 25 years old) is the most positive at 78%, while only 39% of the Baby Boomer generation (57+ years old) believe things will improve.

"With all the uncertainty we have experienced over the past year, one thing is certain and that is that there has never been a more important time than now to take control of your finances, get expert financial advice and plan carefully for today, tomorrow and your long-term future," says Nicholson. "Our OMSIM research shows how astoundingly resilient and creative South Africans are, even in the face of illness, lockdowns and economic hardship, but it must be remembered that this report reflects only our working urban population.

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Notes to the editor:

Since 2009, the Old Mutual Savings and Investment Monitor (OMSIM) survey has probed the savings and investment habits and behaviours of working metropolitan households in South Africa. Until 2020 the annual survey was based on different samples of 1000 face-to-face interviews.

Because of Covid-19, OMSIM was conducted online last year and again this year. Over 1500 respondents earning at least R8 000.00 per month were surveyed. The focus was on assessing how the pandemic is influencing the way people save, spend, live and invest. The results are shared with our employees to deepen their understanding of our customers' changing needs, and also presented to the public, usually during National Savings Month in July.

In today's uncertain world, it's vital for companies such as ours to explore new ways of connecting with customers to understand their range of financial needs. That means creating the propositions that will meet those needs, and remaining consistently relevant.

As a leading responsible business, Old Mutual is committed to the sustainable long-term financial wellbeing of all South Africa's people. Strengthening our national savings culture is part of our purpose to champion mutually positive futures every day.

All the content, research reports, presentations and videos can be found on
www.oldmutual.co.za/savingsmonitor