# FINANCIAL WELLBEING IN SOUTH AFRICA

South Africans want big salaries, luxury cars
and multiple properties, despite financial constraints.


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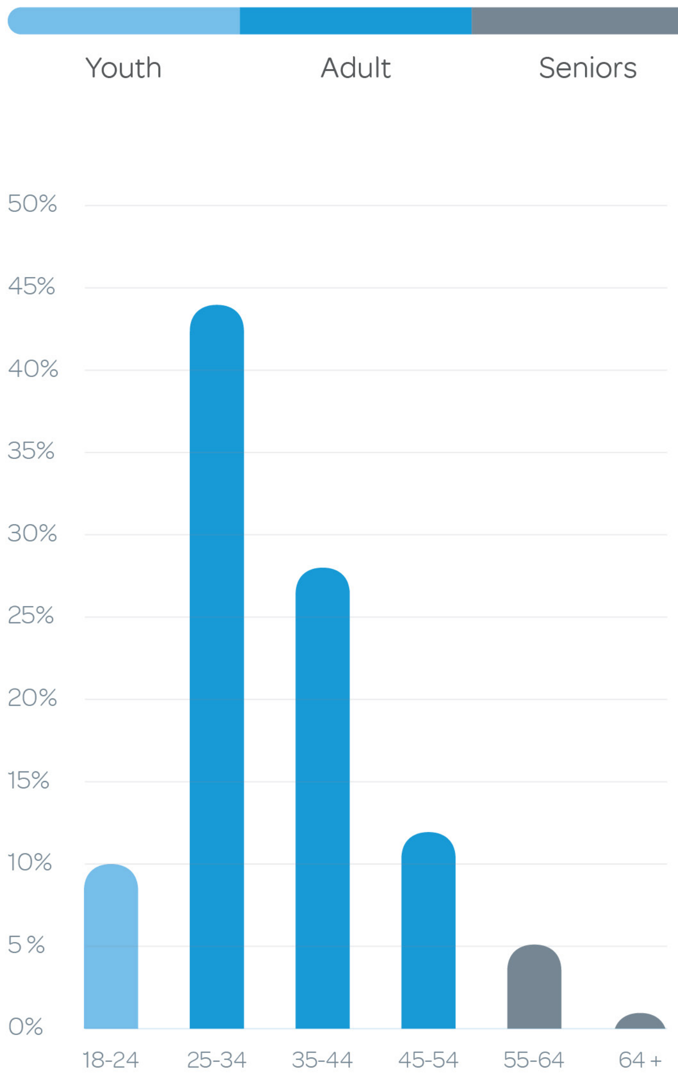
## Financial wellbeing means having enough money to meet daily needs as well as the freedom to move forward in life without insurmountable financial obstacles.

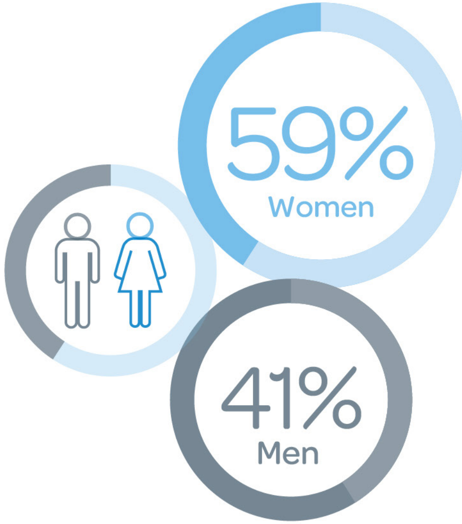
In its most basic form, financial wellbeing means being free from poverty but, at a deeper level, it is subjective by definition and can differ from person to person based on whether they have financial aspirations and priorities that are realistic and achievable.

To take a closer look at the country's financial wellbeing, Wonga asked almost 8 000 South Africans about their current financial status, as well as their capacity and opportunity to achieve their future financial goals.

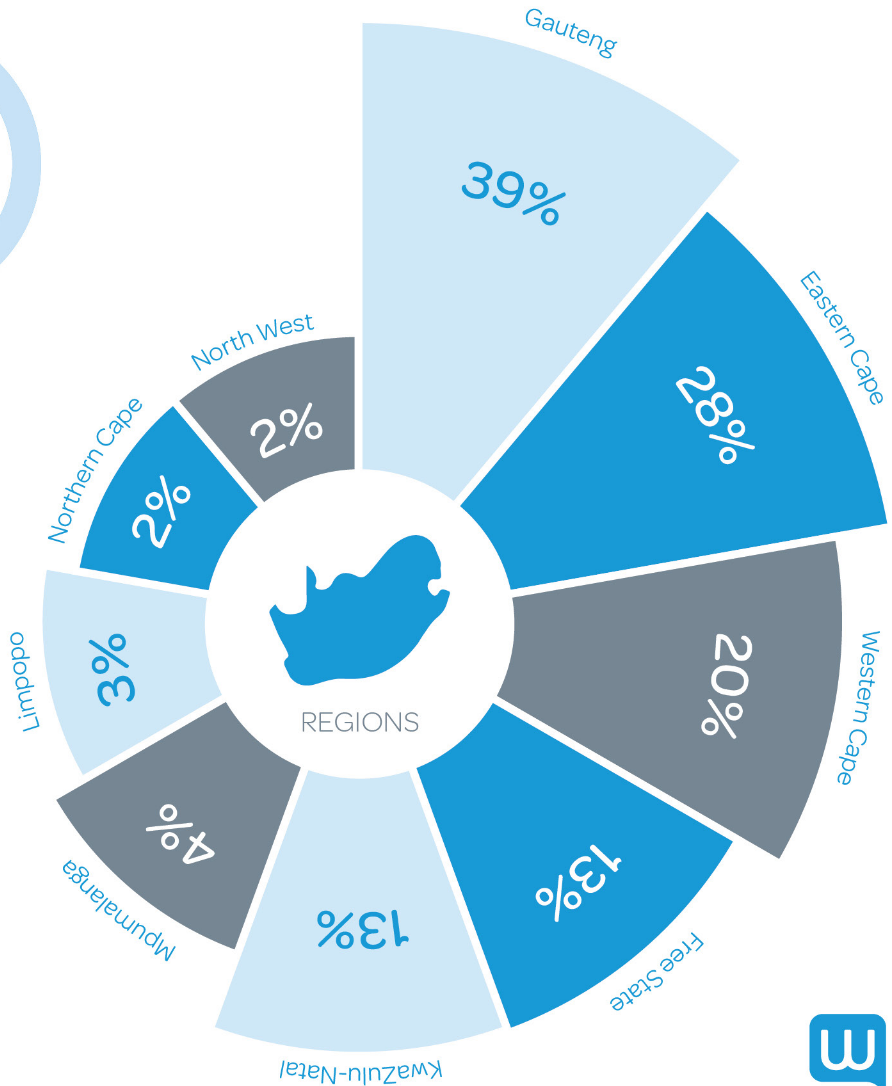
# FINANCIAL WELLBEING SURVEY

Men and women from across the country told Wonga about their financial status, constraints and aspirations.




7 825
SURVEY PARTICIPANTS




## The majority of South Africans do not have access to a higher education due to lack of funds.

Education is a significant contributor to wealth and, in South Africa, the bulk of higher education graduates enter the labour force's upper echelons, placing them in the top 10% to 15% brackets of the national income distribution. This is an opportunity that, according to Wonga's findings, 58% of respondents do not have access to.

Of the study's participants, 11% did not finish their schooling and 47% did not further their studies after achieving their Matric certificate. Of those, 44% cited financial constraints as the reason, 32% said that they had to work instead of studying and 28% claimed that they had to look after their families. Interestingly, of all the study's participants, 40% said that they would still like to further their studies but feel unable to do so because of financial constraints.

## Main reasons for no higher education

28% Family commitments

32% Work commitments

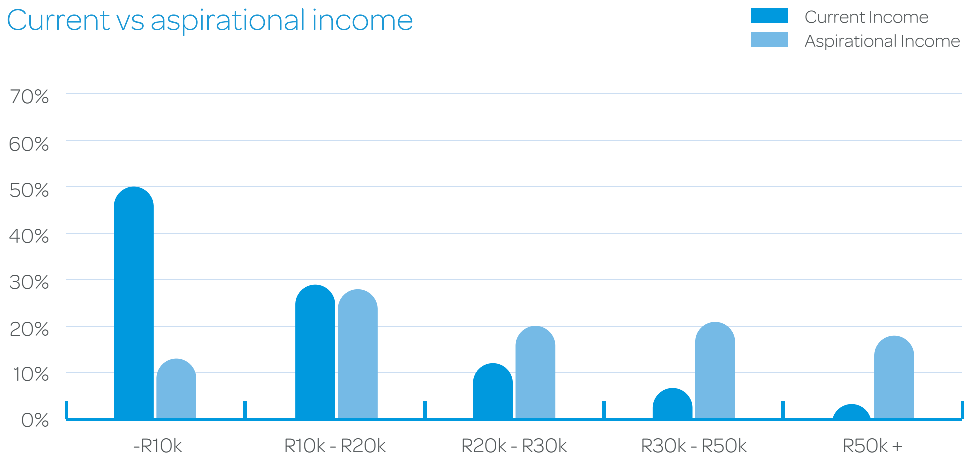
44% Financial constraints

## Almost 90% of South Africans aim to earn as much as the nation's current top 10%.

As a nation, South Africans are renowned for their optimism. However, while it is important to stay positive, having aspirations that are not grounded in reality can breed discontent. While it is unsurprising that the majority of respondents aim to increase their earnings in the future, these salary expectations are concerning when compared with the current income levels.

According to the Credit Suisse Wealth Report of 2018, of the thirty-five million adult South Africans, only 10% currently earn R10 800 a month or more. While survey participants reported having relatively high incomes in comparison, with almost half currently earning over R10 000 a month, their future salary aspirations were extremely ambitious with massive 87% aspiring to earn about as much as the top 10%. The graph below illustrates the difference between current and aspirational income levels.

## Current vs aspirational income



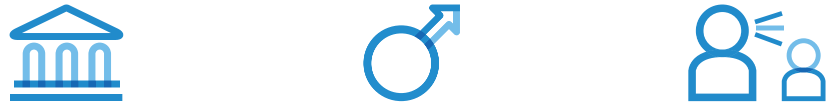

## This finding appears to be influenced by education, gender and age.

- Those with a higher education are 27% more likely to aspire to earning R20 000 or more and 15% more likely to aspire to earning R50 000 or more, than those with no tertiary qualifications.

- Men are 12% more likely than women to aspire to earning over R20 000 a month and 11% more likely to aspire to earning over R50 000.

- Only 49% of the youth claim that they aim to earn R20 000 or more a month, as opposed to 59% of adults.

## Who's more likely to aspire to earning over R20 000 per month?



Higher educated 27% more likely

Men 12% more likely than women

Adults 11% more likely than youth

## Vehicle owners aspire to own luxury car brands like BMW or Mercedes Benz in the future.

According to Stats SA's Household Living Conditions Survey, South Africans spend about 16% of their income on transport and the majority of the country (56%) relies on public transport to get around each month. Owning a vehicle is often regarded as a sign of wealth, particularly with the increased burden of rising fuel costs.

Despite a car being the preferred mode of transport for 46% of respondents, only 40% claimed to own a car of their own. Of those, a 57% majority estimate the current value of their vehicles at below R100 000.

Although this is far below the value of most luxury vehicles, the majority of car owners still aspire to own a luxury car in the future. This can be seen when comparing the vehicle that they currently own with those that they would like to own in the future.

Out of the 40 most popular car brands, Volkswagen emerged as the current favourite, with 19% of respondents claiming to own one. This is followed by Toyota (11%), Ford (9%), Hyundai (9%) and BMW (6%).

However, when asked what make of vehicle they would like to own in future, BMW emerged as the most popular at 15%, followed by Mercedes-Benz at 12%.

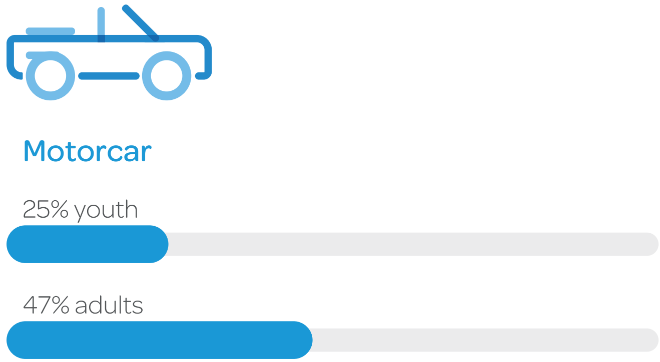
While BMW remains the first choice for people with a Matric certificate or lower, it waned slightly in popularity for those with a higher education, overtaken by Mercedes Benz as their most popular future car by a mere 1%. A similar trend can be seen in higher income earners, with BMW remaining the most popular future car for those earning less than R50 000, but being overtaken by Mercedes Benz which was 12% more popular than BMW for those who earn over R50 000 a month.

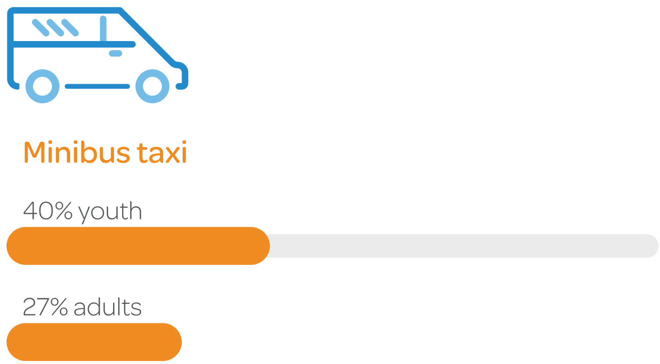
In terms of gender preferences, there are a few vehicles that seemed to appeal more to a male or female owner demographic. This includes Hyundai, which was the second most popular choice for women but only came in fifth for men.

Conversely, BMW was the fourth most popular vehicle driven by men but only came in as the tenth most popular vehicle currently driven by women. However, the gap closes when it comes to the cars people aspire to drive with BMW, Mercedes Benz, Audi, Volkswagen and Toyota emerging as the most popular for both sexes.

Vehicle ownership increases as we age, with only 15% of youths claiming to own cars, as opposed to 41% of adults. The youth's primary mode of transport is a minibus taxi (40%) as opposed to only 25% using cars. On the other hand, 47% of adults use a car most regularly, followed by a minibus taxi at only 27%.

## Transport preferences change with age



## South Africans are more focused on keeping a roof over their heads, than saving for the future.

34% of South Africans consider paying their rent or home loan as their most important monthly expense, followed by paying for groceries at 21%.

According to the National Credit Regulator's latest annual report, 40% of credit active consumers in South Africa have impaired records. Therefore, it is encouraging to note that 16% of respondents consider putting money into savings as their most important monthly expense and 10% of respondents prioritise making debt repayments over all else. However, for the most part, findings indicated that people were more focused on paying for their day-to-day needs than contributing to their long-term financial wellbeing.

Many respondents indicated that they would like to have healthier financial priorities but currently aren't able to as a result of financial constraints. This included 46% who said that they would like to put money into savings but can't currently afford to, and 52% who said that they would like to pay off their debt. Worryingly, a large percentage of respondents also claimed that financial constraints were holding them back from buying necessities like food (12%) or clothing (15%).

A significant component of financial wellbeing is the capacity to work towards life goals unencumbered by financial barriers. Therefore, it is concerning that a significant number of respondents claimed that financial constraints were holding them back from major life events like getting married (12%), moving house (19%) or retiring (4%).

Interestingly, men are more likely to put off marriage as a result of financial constraints than women, with 18% of men claiming that budgetary issues were getting in the way of their big day as opposed to only 7% of women. Conversely, women were more likely to claim that financial constraints were preventing them from buying clothing, studying, moving house, saving and paying off debt.

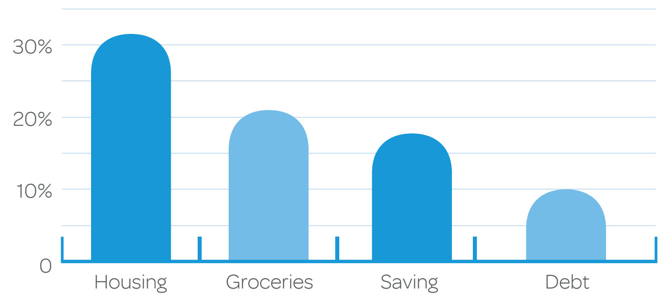
Youth viewed not being able to study as their greatest financial constraint and, at 54%, they were 15% more likely than adults to claim that their finances were holding them back in this regard. Adults, on the other hand, were 16% more likely to want to pay off debt than the youth.

46% of people would like to save and 52% would like to pay off debt, but can't due to financial constraints.

Men are 11% more likely to put off getting married because of financial constraints than women.

54%, of the youth viewed not being able to study as their greatest financial constraint.

### Most important monthly expenses




## 99% of South Africans aspire to own property in the future.

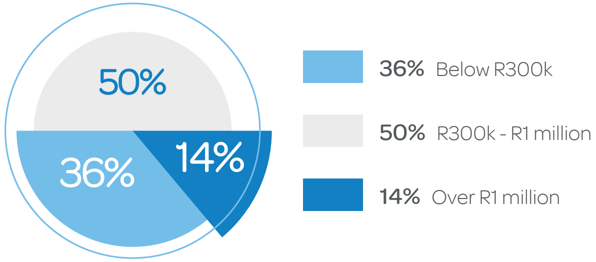
In terms of future aspirations, 99% of respondents claimed that they would like to own property, with majority saying that they would like to own at least two properties. Interestingly, this was the same regardless of current income level. Owning property offers long-term benefits including wealth creation and return on investment. When asked what they would do with any additional properties, 65% said that they would rent these out, 33% said that they would use them to house family or dependents and 22% said they would use them as business premises.

According to Wonga's research, only 38% of respondents own their current residence, with the majority renting instead. The higher someone's earnings the more likely they are to own their primary residence. 55% of those who earn over R50 000 a month own their homes, as opposed to 42% of those earning between R20 000 and R50 000 and 36% of those who earn R20 000 or less.

For most property owners, their primary residence is their only property, with only 6% claiming to own additional properties. The majority (41%) of these additional properties are homes for the owner's family or dependents, however 36% rent their additional properties out.

Most respondents estimated that the current value of their properties was between R300 000 and R1 million and only 14% claimed to have properties valued at above R1 million.

## Current property values



## Less than half of South Africans will have saved enough money to retire comfortably.

Most participants plan to retire between the ages of 50 and 70 years, which is considered normal by South African standards. However, it is concerning to note that only 50% of the respondents claim that they are currently saving for retirement.

50%

This might be due to a lack of understanding about how much money one needs to retire comfortably, which is evidenced by the fact that only 44% claimed that they would like to have at least ten times their annual salary saved for retirement.

Encouragingly, 30% of the youth already claim to be saving for their retirement, which may contribute to the fact that 62% of them plan to retire before the age of 60. However, only 48% aim to have at least ten times their annual salary in savings by that time, which paired with the low retirement age, could mean that they're destined for financial hardship in their twilight years.

Retirement age expectations seem to become more realistic as people age, with only 54% of adults expecting to retire before the age of 60 and majority of seniors (78%) expecting to retire between 60 and 80 years of age.

### Those who plan to retire before the age of 60

62% Youth

54% Adults

## South Africans have a desire to flourish and work towards a greater financial future, but unhealthy financial priorities threaten to undermine these aspirations.

Approximately half of the respondents claim that financial constraints prevent them from saving money and paying off their debt and this acts as a huge barrier to achieving aspirations like owning property and driving cars. Almost all respondents aspire to own property in the future, however they will need to have a good credit rating and savings for a deposit if this dream is ever to become a reality. The inability to save will also have long term implications for the respondent's financial wellbeing and, with only half of respondents currently saving for retirement, their financial aspirations could become less and less achievable as they age.

Lack of opportunity also acts as a significant barrier to success. This is evidenced by the fact that many people were unable to further their studies as a result of financial constraints.

The current job market in South Africa may also limit opportunities for the 87% who aspire to earn over R10 000 a month, an income that is currently only achievable to the nations top 10%. This may be particularly difficult for the 12% without a higher education who aspire to this income.

Therefore, while it is encouraging to see that South Africans are optimistic about their future, they need to have healthier financial priorities if they are to achieve real financial wellbeing in the future. This may also require re-evaluating their financial goals to ensure that they are realistic and achievable.

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