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Household financial wellness is improving, but South Africans need support to design their financial futures proactively

Momentum and the University of South Africa (UNISA) today released their Momentum UNISA Household Financial Wellness Index for 2022. The report shows that South Africans have made good progress, post-pandemic, towards improving their financial situation, and they are keen to achieve financial success, but they need to know how.

The report – now in its 11th year – shows a definite improvement over 2020, our *annus horribilis*, and a general sense among South Africans that they can improve their conditions. The report notes that South Africans need a helping hand to guide their recovery and ensure it is sustainable and ready to withstand future global or local shocks.

"COVID has hit us hard, and it has made us realise the importance of getting our finances and personal planning in order," says Monique Schehle, Strategic Insights Consultant at Momentum.

"We, as South Africans, have demonstrated incredible resilience over the last two years, which were marred by the pandemic, riots and other macro-economic factors. And we have come to understand that we need to be resourceful by actively taking matters into our own hands to bring about a better financial future," says Jacolize Meiring, Senior Researcher, Bureau of Market Research, UNISA.

About the Index and 2022 findings

The Momentum UNISA Household Financial Wellness Index is the most comprehensive and authoritative scientific study into the financial wellness of South African households. It is built from over 2 500 annual interviews with a household's Financially Knowledgeable Person (FKP).

The research considers both the hard numbers (Physical Capital or income) and Asset Capital (net wealth) and supporting factors, including Human Capital (education levels), Environmental Capital (living conditions) and, importantly, Social Capital or the sense of personal empowerment.

For 2021, the Index showed clear signs of a general improvement in households' overall financial wellness. The Index stands at 67.6, up markedly from the Index's low point of 65.6 in 2020 but still some way off from 68.7, which was recorded in the year before COVID-19.

The most significant constraints to households' financial wellness during 2021 were net wealth (considering assets and liabilities) and their sense of personal empowerment. This could be influenced by a lack of knowing what to do to build wealth and the belief that one can do it.

Another headline finding from the research shows an increase in the share of households whose financial wellness improved in 2021, but it is still less when compared to measurements before COVID-19. Expressing the shares in the number of households, the estimates show that only 1.9 million households can be deemed Financially Well. There was an increase in the share of households categorised in the top two financial wellness groups, with the Financially Well category increasing to 10.4% from 7.2% in 2020 and the Financially Stable category increasing to 17.8% from 16.0% in 2020. The share of Financially Unstable households was at 30.8% in 2021, less than 33.9% in 2020.

In addition to its insights over time and detailed findings for the year under review, this year's report includes an analysis of different household composition units. It categorises the results under

couples with minor children, extended families, single adults with minor children, couples and people living on their own.

"Our decision to include different types of households in the research has deeply enriched our findings. It shows how South African households think of money and wealth at different life stages and how they approach financial planning," says Meiring.

Indeed, the findings show that couples are more inclined than other household types to set financial goals. In contrast, single adults with minor children are least prone to set financial goals. A lack of planning and goal setting are symptoms of the low level of financial literacy in South Africa.

The findings also show that couples with minor children tend to show a stronger responsibility for their future. All types of households could learn from those who are in the Financially Well category on how to best conduct their financial activities. At present, only a very small number of households conduct complex financial planning and use financial products to achieve their long-term and short-term financial goals, leaving much of their financial future over to chance.

"It is perhaps not surprising that the households in the Financially Stable and Financially Well categories are also those with the best and most consistent money habits. This is a very encouraging finding throughout our research, and it shows that any household can create money habits that will significantly improve its financial situation. To improve financial success and financial wellness, households must set and actively pursue the aim of achieving their financial goals. Not pursuing financial goals is one of the biggest challenges all types of South African households face. Sound financial advice can assist them on the journey to financial success in changing their financial behaviour," says Meiring.

Science of Success SMME insights

This is the second year that the Science of Success has also focused on entrepreneurs. "To ensure the Momentum | UNISA Household Financial Wellness Index is not diluted, a separate study was commissioned and conducted by the Momentum Insights team to understand the Science of Success for entrepreneurs," says Monique Schehle.

The report focuses on the state of micro, small and medium-sized businesses in both the formal and informal sectors. SMME and side hustle entrepreneurs are being forced to do it for themselves. Passion and the belief in a better future are their fuel.

The research and resultant seven key insights are an amalgamation of data from the Momentum SMME / side hustle survey, the Momentum UNISA Household Financial Wellness Index, other official government sources, academic reports, and opinion pieces on SMMEs and side hustles. It gives a rich insight into the 2.4 million SMMEs and the 2 138 282 households acquiring additional income from a side hustle.

"The sentiment is that there is opportunity in crisis. South Africans are resilient and resourceful, but none more so than South African SMME and side hustle entrepreneurs. Our research has found that the past two years have been tough on small businesses. Those who have been in the business see significant challenges in hiring and retaining talent, fighting the rising costs of doing business to make a profit and finding business and financial advice suitable to them," says Schehle.

The report notes that while South Africa places a lot of emphasis on the role of micro, small and medium businesses in growing the economy, very little is known about them and their view of a successful business, their current state of mind and ultimately their finances.



"We hope that our report, which delves deeply into the state of SMMEs and side hustle entrepreneurship, will help shine a light on the challenges they face and guide the plans and policies from the public and private sector on how they can be supported," says Schehle.

Momentum invites everyone to a virtual broadcast of the Science of Success 2022 on 25 November:

The markets may be unpredictable, but financial success is in your control. Together with world-class speakers and experts, Momentum and UNISA will give consumers nuggets to empower them to make the right money moves. By unpacking the Momentum UNISA Household Financial Wellness Index and other research insights, the Science of Success will make financial success simple and accelerate your momentum.

Get ready to refresh your money moves.

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