



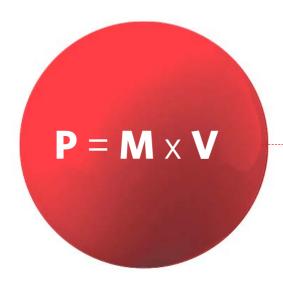


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Using the scientific formula for momentum, P=MxV, we learn that velocity (V) times mass (M) creates momentum

on your journey to success.

There are very specific activities/events that can either accelerate or decelerate your success.

The 8th Momentum/Unisa Household Financial Wellness Index provides information specially designed to empower South African households to accelerate their financial success.

The science of success inspires by taking a closer look at these points of interest:

- What are the varying states of the financial wellness of South African households, and why?
- Which factors (within and beyond their control) affect the financial success of households?
- What impacts the financial success of women?
- What practical tips will help accelerate financial success?

Are you ready to explore and discover answers to these questions? Come along, let's get started with the science of success.





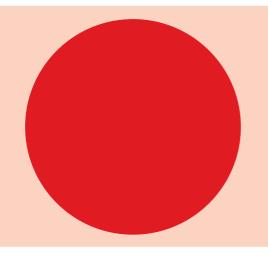
1 | Let's set the scene

Financial success cannot be built only on a foundation of hope - especially in those stormy moments when hope is hard to find.

Yes, hope is necessary to create confidence, and you can't have progress without confidence. But, simply hoping is not the same as walking the walk. To have a positive, tangible impact on South African households, hope must join forces with carefully considered plans and actions – and be supported by an empowering environment.

We all know that's easier said than done.

Despite the government's efforts to improve the situation of households, an empowering environment followed up with action has not been commonplace in South Africa, for at least the past ten years.



In the past decade, households, analysts, business and government have been singing the same song of hope for the future. A hope for the next year to be better than this one, that our country's economy would enjoy higher growth levels in employment, income and net wealth. But, sadly, the "hope for better" has not happened and our country's fortunes are still hoping for better days.

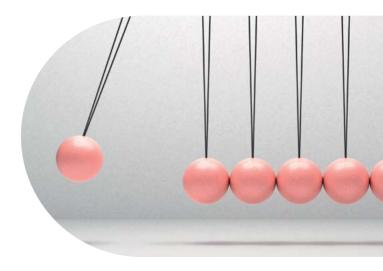
Why is that?

What is preventing the hope of a nation from translating into action and an environment **that empowers?**

When we take a closer look, the reasons are to a large extent rooted in international and domestic political affairs, including power battles, disagreements and politicians putting their own interests first – these squabbles and selfish behaviours prevent us from fixing what is broken.

Let's start in our own backyard. Here in South Africa, we face:

- Poor implementation of policies and projects, resulting in a restrictive environment;
- A dissatisfied society characterised by increasingly violent protests to evoke action;
- A judiciary that must defend itself against politically motivated attacks;
- Dwindling trust in government departments and state-owned enterprises;
- Declining confidence from investors, business and the consumer;
- An overall loss of entrepreneurial spirit, critical skills and experience;
- An inability to compete fully in domestic and export markets; and
- An economy that is less and less able to create enough jobs.



At a macroeconomic level South Africa experienced low economic growth with lots of consequences.

This disabling socio-economic environment was, largely, caused by factors outside of the control of individual households, ultimately limiting their ability to control and improve their own unique financial situations.

Women were the hardest hit. There's ongoing remuneration discrimination (as a trend that women face) – and on top of that, they have to deal with running their households and dealing with the increasing trend of gender-based violence and femicide in a society that gives them little respect and limited protection. However, let's not forget that the dynamics of personal finance cannot be over-simplified. It is far more complex than simply accepting that all households' financial wellness took a nosedive over the past decade.

We know from previous Momentum/Unisa Household Financial Wellness surveys, that there are many households that are financially successful – despite the challenges we all face. Although financially well households are very different when it comes to demographics (like income, wealth, skill and living conditions), they followed a similar path that contributed to their rosier financial outlooks.

This is good news.

It means that there must be a roadmap that can help households navigate these tough times, increasing their momentum towards an improved financial position. And if such a science for personal finance existed, it could be called the "science of financial success."

And, that's why you are reading this report.

The 8th Momentum/Unisa Household Financial Wellness Index tries to answer these questions:

- How financially well are different South African households, and why?
- What are the reasons for that, both within and beyond their control?
- Why do some households get it right?
- How are women doing when it comes to financial wellness?
- What practical tips will help you attain financial success faster?







2 | The state of South African households' financial wellness in 2018

No household is an island.

In order to really get to grips with the tools to accelerate your momentum towards financial stability and success, it's important to drill down and understand the environment that surrounds every South African household.

a | What happened to the overall score in 2018?

Given a tough economic environment in 2018, it is not surprising that households' state of financial wellness pretty much remained flat compared to 2017 – and only just higher than four years ago. The overall score increased just slightly to 67.9 points – from 67.8 points in 2017 and 66.6 points in 2014.

Overall financial wellness scores | 2011 - 2018



b | The component scores for 2018

The Momentum/Unisa Household Financial Wellness Index is made up of five components, based on the five capitals that households have. In other words, these are the resources that each household has that makes or breaks its financial wellness:



- The household's educational status, determined by the level of their educational qualifications and skills (human capital – HC);
- The household's personal empowerment capability, decided by their ability to take control over their finances and their trust in institutions (social capital – SC);
- The income statement of the household, represented by their income and expenditure (physical capital - PC);
- The household's balance sheet, measured by the value of their assets, debt and net wealth (asset capital - AC); and
- The quality of the living environment, determined by the quality of the household's dwelling (environmental capital – EC).

The index score is calculated using a multiplicative method. So, the recipe for financial wellness is found in this formula:

Financial wellness = log (HC x SC x PC x AC x EC)

Sure, 2018's overall financial wellness score improved slightly.

But, it was driven only by tiny increases in just two of the five components and, luckily, these increases were enough to outperform the declines seen in the other three areas. Here's what we mean:

Household financial wellness component scores | 2018 vs 2017



Let's break it down:

- The lowest score was seen in the personal empowerment capability category, which fell to 4.8 (out of 10) from 5.1 in 2017. This significant decline can be attributed to political instability and negative macroeconomic events that are largely beyond the control of households. But, when comparing households that achieved high and low personal empowerment capability scores, it showed that the majority of households actually did poorly on factors they could control.
- The household income and expenditure score also dipped to 5.0 (compared to 5.1 in 2017), showing the cash flow pressures households had to contend with
- Although the asset, debt and net wealth score increased to 5.1
 (compared to 4.7 in 2017), it was still low, showing the severe lack of
 household assets. Though, as income is used to acquire and grow assets
 and given the decline in the income and expenditure score the low
 net wealth score is not surprising. The low level of household net wealth
 is worrying, as accumulating wealth over their lifetime is a households'
 main financial objective.
- The state of households' living conditions deteriorated somewhat as
 the score decreased to 6.9 in 2018 (from 7.4 in 2017). The low income
 and net wealth scores show that households battled to get their hands
 on the resources they needed to improve their living conditions.
- The component measuring their educational attainment levels improved slightly, with the score increasing to 6.8 in 2018 (from 6.7 points in 2017). The 2018 General Household Survey (GHS) results showed that during 2018 about 45.2% of people 20 years and older had a matric/NSC or higher qualification compared to 43.1% in 2017.

c | Why the change in scores?

In short, a mixed bag of factors at an economic, community and household level contributed to the change. These include:



Macroeconomic level

- Strong international economic growth in 2018 should have assisted the domestic economy, but South Africa's economic growth rate almost halved from the 2017 level.
- Electricity shortages and state capture negatively impacted on growth.
- The number of additionally unemployed individuals on average increased by 337 000, while the employed increased by just 225 000.
- Household gross income was hit by higher income taxes, while working days lost due to labour strikes increased from 480 000 in 2017 to 1.95 million in 2018.
- Real household wealth suffered from declining share prices, mostly due to the trade war between the United States and China.
- On the bright side, the consumer price inflation rate declined to 4.6% from 5.3% in 2017.

In the community

- Municipal service delivery protests increased to its highest level since measurement (by Municipal IQ) started in 2004.
- More protests turned violent, including preventing workers from going to work, affecting their income.
- Delivery of housing and maintenance, water and electricity, health and education were affected due to inconsistent or non-delivery of these services.
- Low growth in early stage entrepreneurial ventures, high levels of inequality within and between communities and high levels of poverty in many communities continue to present challenges beyond the control of households

At home

- Smaller salary increases contributed to lower overall increases in households' gross income.
- An increase in the number of secondary school finishers improved the educational level.
- Households experienced limited asset growth, but some gained thanks to diversification and growth in non-financial assets.
- Low levels of financial literacy (among consumers) and high levels of financial vulnerability (among the low and middleincome groups) still place considerable constraints on household finances.
- A lack of proper financial planning with specific goals and limited accessibility to financial experts had a negative impact on personal empowerment.





Looking at the financial wellness levels

3 | Looking at the financial wellness levels of households

Next, we categorised these scores into four different groups, to bring us closer to an understanding of the journey towards financial success. **Have a look:**

Financially Distressed

(0 - < 30)

The household is deeply rooted in a financially unwell position. They survive with major outside assistance. These households are likely to miss payments and use high-cost credit.

Financially Unstable

(30 - < 60)

The household is not entrenched in a financially distressed position but is unwell. Adverse events and wrong decisions can change the status to Distressed.

Financially Exposed

(60 - < 80)

More opportunities to improve financial wellness exist. Adverse/positive events and decisions will cause households to become either Financially Unstable/Financially Well.

Financially Well

(80 - 100)

Although the household is Financially Well in the current political/economic/social climate, it may become Financially Exposed/ Unstable due to wrong decisions or negative external developments.

See Annexure B for a demographic description of each group.

When we analyse the distribution of households,

it seems the proportion of Financially Well households decreased from 26.5% in 2017 to 25.5% in 2018.

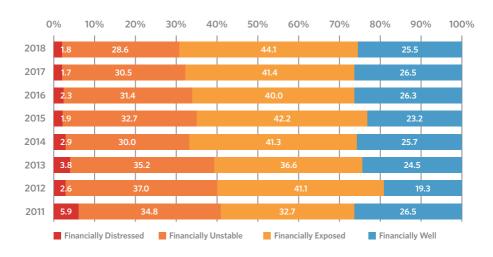
On the other side,

the proportion of Financially Unwell (combining the other three categories) households increased to 74.5%.

The bad news is, the proportion of financially well households has not increased, since we started this research in 2011 – in fact, it declined. But, there's some good news: the biggest change over this period is the upwards shift of households from financially unstable (declining from 34.8% in 2011 to 28.6% in 2018) to financially exposed (increasing from 32.7% to 44.1%).

In other words, although the number of financially unwell households increased, they are not quite as 'financially unwell' as before.

Distributional results of financial wellness groups | 2011 - 2018







04 | The science of financial success

Our research paints a grim picture,

showing that almost three quarters of South African households have been **financially unwell** for some time. Some of the financial reasons are outside of their control, while others are caused directly by things households are doing and not doing.

This is where the science of financial success steps in to brighten up the day.

The science of financial success evolved from the theory of change.

It is a conceptual, analytical and modelling tool, designed to empower households to improve their financial success, even if there are many things they cannot control.

It shows that households can improve their income, net wealth and living conditions (output variables) when they a) use their internal resources, like educational qualities and personal empowerment capabilities (input variables) to b) do certain things (we call these things 'behavioural activities or variables').

The research shows that people who achieve success walk this walk – and that's what sets them apart.

A picture is worth a thousand words.

So, let's take a look at this graphical illustration, showing that a broad range of financial activities is the vital link between what you put in and what you get out.

Another way of looking at it

is that a certain set of financial activities are the secret ingredient to turning a household's inputs into better outputs – they are the missing link in the acceleration towards financial success.

External factors beyond the control of the household

Financial exclusion

International and domestic politics and economic performance

Structure of the employment economy

Uncertain international and domestic political and economic events and decisions

Factors within the control of the household

Impacts

• If activities and outputs are improved, financial wellness will improve

Outputs

- Income (physical capital)
- Net wealth (asset capital)
- Living conditions (environmental capital)

Activities

- Set and work towards achieving budget goals
- Set and work towards achieving financial plan goals, including saving for retirement, using short- and long-term insurance to protect income and wealth and repaying debt on time
- Change behaviour
- Improve financial literacy
- Use expert advice where necessary

Input

- Educational attainment (human capital)
- · Personal empowerment capability (social capital)





05 | Things a household cannot control:

the macroeconomic environment



There will always be things beyond a household's control, impacting success - like economic events or political decisions we don't see coming, both locally and abroad. These trickle down and influence exchange rates, price inflation, interest rates, income tax rates, employment, labour strikes, service delivery, corruption, cost of living and the economy's performance in general.

2018 was not a great year for our economy, with a growth rate of only 0.8% (compared to 2017's already low of 1.4%). Real household consumption expenditure growth was only 1.8% in 2018, which was lower than the 2.1% during 2017. While the number of employed grew by only 1.4% during 2018, the number of unemployed (expanded definition) increased by 4.5%.

Although the average consumer price inflation rate increased at a slower pace compared to 2017, households still had to deal with steep price increases during 2018: fuel prices increased by 14.4%, water and other services by 9.1% and meat by 6.7%.

The repo rate was lowered by 25 basis points (by the South African Reserve Bank – SARB) during the first quarter of 2018, which saw banks reducing their prime interest rates by the same margin. But the celebrations didn't last long, as the SARB increased the repo rate again by 25 basis points in the fourth quarter – despite lower inflation.

As if that wasn't bad enough, the National Treasury decided to increase income tax rates to finance unaffordable expenditure, which meant even less money in wallets – and even tougher times for consumers.

Share prices of listed companies also dropped – mostly because of the trade war between the United States and China. This had a bad impact on the value of households' pension and provident funds, annuities and share portfolios.

The average household now had less available to spend and save, and their net wealth decreased, as the declining share prices contributed to lower financial asset values as reflected in retirement funds. To make things worse, the increase in the real prime interest rate made it harder for them to repay debts and improve their overall living conditions.



What happened in the South African macroeconomic market | 2014 - 2018

	2014	2015	2016	2017	2018
World economic growth rate (%)	3.6	3.5	3.4	3.8	3.6 ↓
World trade volumes in goods and services (% change)	3.9		2.3	5.7	3.6 🗼
SA economic growth rate (%)	1.8	1.2	0.4	1.4	0.8 ↓
SA employment growth rate (%)	1.9	3.9	0.3	2.5	1.4 ↓
SA expanded unemployment rate at year-end (%)	34.6	33.8	35.6	36.3	37.0 ↑
SA personal income tax as % of government revenue	36.6	36.7	37.1	38.3	38.6 ↑
Number of municipal protests	191	164	137	173	237 个
SA consumer price inflation rate (CPI) (%)	6.1	4.6	6.4	5.3	4.6 ↓
Rand/US\$ exchange rate (year-end)	R 11.57	R 15.56	R 13.73	R 12.37	R 14 ↓
JSE All Share Index (year-end - points)	49 771	50 694	50 654	59 505	52 737 ↓
SA prime interest rate (year-end - %)	9.25	9.75	10.5	10.25	10.25 \leftrightarrow
South African household net wealth as % of gross income (year-end)	291.8	280.3	276.8	286.2	267.2 🔱

(Sources: Statistics South Africa; South African Reserve Bank; Municipal IQ; JSE; International Monetary Fund)

In sum,

the mentioned factors beyond households' control affected them in the following ways:

- It contributed to price increases and kept interest rates higher than it could have been;
- It stifled job creation, leaving millions of households without an income from a job;
- It increased taxes, whether it be personal income tax, higher fuel levies, higher VAT, or any other form of taxes, levies and duties;
- It meant households had less money to save and spend;
- It contributed to household asset values such as their pension fund values being lower than it should be, which in turn means retirees will have to lower their living standards.







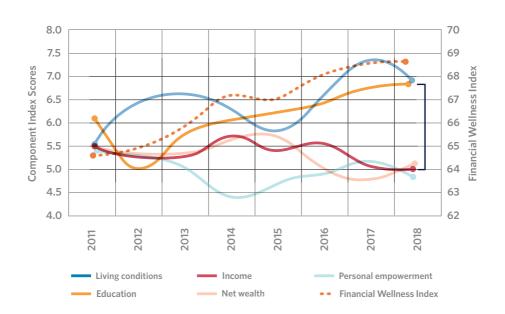
6 | Things a household can control:

The "science of financial success" can accelerate momentum towards financial success

a | Education qualifications

(from 2011 – 2018), and we can spot clear trends. Over the past three years the upward trend in households' educational attainment had a positive impact on the Financial Wellness Index. But, this improvement in the level of households' educational accomplishment didn't spill over into their incomes to the extent it would have been expected.

Trends in component scores | 2011 - 2018



So, why is there such a disconnect?

Well, a big part of the reason is very slow job creation and a skills mismatch within our economy. Our educational system delivers a growing number of matriculants and graduates – and they all have academic knowledge, but they frequently lack the high-level thinking, social and communication skills needed by today's employer.

These 'missing' skills prevent many students from getting better 'adaptable' skills, which would lead to better lives. On top of this, many graduates find themselves employed in lower paying jobs that a matriculant could do, causing less job opportunities for matriculants on the one hand and lower than expected income for graduates on the other hand.

The result? Improved qualifications and education levels of household members aren't translating to higher incomes to the degree it should have. So, although the government's policy of free education (for the poor and middle class) has improved access to education, it doesn't guarantee quality education. It only gives us access to a better qualification, which increases access to the job market. But access does not guarantee that you will get a job, not to mention a good paying job – especially if your qualification does not match the skill needed.

Yes, we are seeing more people with a matric and higher qualification over recent years and it did contribute to minor higher household income. **But it's nothing compared to people who acquired the** *right skills* **- they are the ones who really reaped the rewards.**

b | The role of personal empowerment capabilities

despite everyone facing similar conditions beyond their control. So why the difference? Let's take a closer look at what sets the financially well apart from financially unwell households. Remember, we've grouped the lower three groups into 'financially unwell' (74.5% of households) compared to the 'financially well' (25.5% of households).

First, it is worth repeating that the personal empowerment capability has been a long-term financial thorn in the side of most South African households. The shortage of this capability has been the cause of many financial nightmares for households – as they constantly feel disheartened by circumstances, lack much needed knowledge, don't possess the true facts on a number of issues, etc.

The analysis shows that even some financially well households don't do particularly well when it comes to their ability to take control of their finances – this is their lowest score – as they sometimes are overwhelmed by factors outside their control

Financial wellness component scores of the supergroups | 2018

74.5%	25.5%
6.4	8.1
4.1	7.6
4.1	8.2
6.2	9.1

c | The role of activities and behaviour

When it comes to financial success, walking the walk is more important than talking the talk. Given how important educational attainment and personal empowerment capabilities (as the input resources of households) are in a household's quest for improvement, these resources will not save the day unless they are accompanied by the right actions and behaviours.

Sure, some activities and some ingrained behaviours go hand-in-hand with education and personal empowerment capabilities – as it can soften the blow of factors beyond households' control and improve households' resilience in difficult economic and social environments

These internal resources, activities and behaviours are needed for a household to achieve financial success and to create momentum in their journey towards financial wellness.

As mentioned before, a wide range of financial activities and behaviours is the vital link between the household's input resources (education and personal empowerment) and the outputs of income, wealth and living conditions.

But it's not just a case of doing certain things. You have to do them correctly and to the right extent. These activities and behaviours (we discussed some of them above), comprise the setting of short- and long-term financial goals and incorporating them in the household's overall budget.

Such financial goals may include not spending more than the household earns, saving for retirement, using short- and long-term insurance to protect a household's income and consumption, making sure that the debt acquired to buy a house or car is affordable now and in the future, and seeing that the debt is repaid on time.

Some of these activities need expert advice to make the best decisions, but in other cases, all that's needed is good financial literacy skills.

Factors within the control of the household

Impacts

If activities and outputs are improved, financial wellness will improve

Outputs

- Income (physical capital)
- Net wealth (asset capital)
- Living conditions (environmental capital)

Activities

- Set and work towards achieving budget goals
- Set and work towards achieving financial plan goals, including saving for retirement, using short- and long-term insurance to protect income and wealth and repaying debt on time
- Change behaviour
- Improve financial literacy
- Use expert advice where necessary

Input

- Educational attainment (human capital)
- Personal empowerment capability (social capital)

The table below shows that there are some things households in the 'financially well' category do more of than the financially unwell households.

Activities	Financially Unwell	Financially Well	
	74.5%	25.5%	
Having a written budget (electronic or hand-written)	25.8%	46.2%	
Having a financial plan	15.8%	38.0%	
On track in reaching their financial goals	11.8%	32.7%	
Contributing to short-term insurance	18.5%	64.7%	
Contributing to a pension or retirement annuity	22.6%	60.3%	
Contributing to life insurance	18.7%	52.2%	
Having savings to access in case of emergencies	27.0%	55.3%	
Having a signed will	10.2%	33.5%	
Showing the ability to stick to budgets	15.7%	27.5%	
Having an institutional/professional adviser	2.7%	9.7%	

d | What the financially well teach us about the journey to financial success

Another big problem for the financially unwell is that they're **not money-savvy.**

There are many reasons why a household just cannot deal with situations that are within their control.

Now, we don't mean that households have no understanding of personal financial planning and management. Even poor and financially unwell households know they must make ends meet with limited resources – and they often are the best budgeters. They also know that they need to do financial planning (although they don't necessarily know the meaning of the term), realising the importance of accumulating wealth and having some sort of insurance against loss. The problem is that due to a lack of resources, they feel disempowered and must rely on family and friends (and sometimes *mashonisas*) for help.

They scored only 38.4 (out of 100) for financial literacy. To make matters worse, they don't have enough access to expert financial advice. As such, they end up making uninformed financial decisions. But, even some of the financially well households' financial literacy levels are not up to scratch (as they scored only 52.4 out of 100).

They could have been much more financially well if they had better financial literacy skills: knowing better would have improved their ability to do better. In this respect everybody can learn from households in the top financial wellness bracket (the best of the financially well bunch) when it comes to achieving financial success and improving financial wellness.



The research results show that the top echelon by and large follows the science of financial success methodology. They have the input resources and combine this with certain activities and behaviours. So, they are well-qualified and are empowered. They set specific short- and long-term financial goals and they relentlessly pursue those goals. This ensures that they don't just muddle through life. They also have better financial literacy skills and also have access to expert advice to complement their skills, where it might fall short. This makes it possible for them to make the right financial decisions in different and difficult economic circumstances, which positively impact their income, their net wealth and the way they live.

Another comparison, this time between households with high and low personal empowerment capabilities, **showed several activity** and behavioural differences between the groups.

One major off-shoot of the 'financially well' group is that they have higher personal empowerment capabilities, with a specific type of financial literacy skill that enables them to answer the "how much" question and sees them working actively towards achieving their "how much" targets. For example, they know how much money is necessary for a good retirement; how much they should save and invest for retirement; how much monthly income should be used to repay debts; how much life insurance they should have; how much short-term insurance they need and what it costs. This type of knowledge is scarce – and a wide variety of expertise is needed to answer the how much questions.

The comparison also showed other behavioural differences. The group with high personal empowerment capabilities prioritised saving for retirement to a much larger degree than the other group. They also avoid making financial decisions when under emotional pressure or stress. And when emergency expenses pop up, they'd rather use savings as opposed to the other group, who would borrow money (even if savings were available).

This kind of behaviour is related to the so called "endowment effect" – which shows that people overvalue what they own, or worked hard for, so they are reluctant to part with it – and that's why they often choose the more expensive route out of 'Troubleville'.

When it comes to investments, emotions like greed and fear add to a so-called "behaviour tax".

This is about the investment returns that investors lose when they make emotion-driven choices, rather than sticking to a long-term investment plan.

Investors tend to compare the returns and performance of their investments with past performances and with that of other investment funds. And when the returns on their investments fall behind, the greed factor causes them to switch to other funds. In the same way, when their investments show losses, the fear factor contributes to switching funds.

Our research shows (in both instances) these switches caused inferior investment returns over the long run, compared to just sticking to the long-term investment plan.

e | The ensemble

So, what do we know after analysing this research? Very simply, it tells us that specific and comprehensive interventions are needed for the financially distressed and unstable households to up their game and get onto the path towards financial success. But it isn't as simple as that, is it? We're talking way more than grants or free social services. We also have to protect and prevent financially unwell households from becoming more financially unwell.

It's not only about stopping a backwards slide. It's also about pushing households forward.

To get that right, they need an empowering environment and the application of the science of financial success in their personal finances. We're talking about:

- · High quality education and cognitive skills;
- Steps to increase the pool of scarce skills and experience;
- Empowering households with facts and personal financial capabilities;
- Improving their understanding of the need and role of financial goals, long-term planning, financial advice and financial products; and
- Making such advice, planning and products accessible and affordable, while also customising it to their needs (which will make it even more possible for them to take control of their own lives and financial situations).





Financial success vs financial wellness

7 | Financial success vs financial wellness

The financial mirror can be blurry, but the picture becomes clearer as understanding improves.

Financial wellness is influenced by both objective (ie real) and subjective (ie what people think) aspects, while research found that financial success is more subjective and relative in the minds of households.

For example, many financially unwell households see themselves as financially successful. On the other hand, several financially well households feel that they are financially unsuccessful.

Financial success rating of financial wellness groups

Q: Extent to which you have achieved financial success (1=not at all; 10 = fully)

	Financial wellness groups				
	Distressed	Unstable	Exposed	Well	Total
Rating 1 to 3	2.6%	37.7%	44.0%	15.7%	100%
Rating 4 to 7	0.8%	21.4%	43.8%	34.0%	100%
Rating 8 to 10	1.6%	21.1%	36.1%	41.2%	100%

Let's take a look at the numbers: 1.6% of the households that rated themselves to have achieved financial success (a score between 8 and 10) are actually Financially Distressed. On the other side of the scale, some 15.7% of households that feel they have not achieved financial success (rating between 1 and 3) are in the Financially Well category. Only 41.2% of those that see themselves to be financially successful are classified as Financially Well.

On the surface, the research shows what appears to be a clear disconnect between the objective measure of financial wellness and the respondents' subjective rating of their own financial success achievement.

The main reason for this is different understandings of the actual meaning of the term financial success.

For some folks, financial success means **freedom from debt.** For others, **full financial independence** is the name of the game.

These results show us how confused households are about this:

The main responses of the 1.6% "financially successful" households that are in the Financially Distressed category on what financial success means included:

- To be able to know how to save money.
- Being able to make ends meet.
- To have money.
- I don't know.

The same group answered this to the question what they as a household need to achieve financial success:

- To get a better paying job and start saving money.
- To have money to support my family.
- To work overtime/To work very hard.

Those households in the **Financially Well category**, who see themselves as **"financially unsuccessful"**, defined financial success as:

- Financial freedom.
- To be debt free.
- To have a better life.
- Being able to cover all financial needs for the house, save and invest.

The same group answered this to the question what they as a household need to achieve financial success:

- Having more money.
- A well-paying job and good money management.
- Get rid of debt and save for retirement.

Those households that see themselves as "financially successful" and are in the Financially Well category, said this when we asked what financial success means to them:

- A comfortable retirement.
- Being debt free and able to afford anything.
- Being independent from third parties.
- To be stress free and life becomes easy.

The same group answered this to the question what they as a household need to achieve financial success:

- A stable economy.
- · Being debt-free!
- Financial discipline and not buying things that are not planned for.
- Good health, good employment and good people skills.

You see, the term 'financial success' means very different things to different people, depending on where they are in their lives.

In our minds we don't directly link the terms financial success and financial wellness. However, the questions revealed two things that households deem to be very important for financial success: a good job and greater income.



Despite believing they have achieved financial success, such households feel (even those with higher income) relatively disempowered to deal with their finances. Households who rated their level of financial success at 4 or more have an average personal empowerment score of 5.1 - that is above the country's average score of 4.8 - but the difference is not as significant as you'd think.



The link between households' ideas about financial success and perception of personal empowerment

Financial success rating	Personal empowerment score (out of 10)
Rating 1 to 3	4.1
Rating 4 to 7	5.1
Rating 8 to 10	5.5

If you look at the confusion caused by the individual's idea of what financial success means, the results are not surprising. If there was a proper understanding of what financial success is, we'd be looking at a different picture.

So, it is crucial to understand that it is possible to be financially successful, but in reality be financially unwell.

This can happen when a household successfully reached a particular financial goal, but they are not yet financially well. On the flip side, although a household may already be financially well, they might still be on a journey towards

successfully achieving a higher set of goals – and such households might see themselves to be unsuccessful. And then there are households who would see themselves as financially successful only when they've achieved all of their goals.

It is vitally important for households to know what financial success means, so they can move forward on their journey and accelerate their momentum.

It is about achieving your own unique short-term goals, while setting and pursuing your long-term goals. The first step in the journey is for households to decide on these goals. In order to keep motivated, it's best to start with small and achievable short-term goals, building towards larger goals for the long term. And then they need to be resolute and avoid crumbling under the pressures of social and external influence.





8 | A woman's financial world

Against an already limiting backdrop, women face unique challenges that leave them fighting an uphill battle when it comes to money.

It's a well-known fact that women all over the world (for reasons beyond their direct control) don't earn the same as their male counterparts. This inequality in the personal finance field is made even more difficult by a dangerous culture of female-directed violence.

Globally, this issue is out in the open, with a spotlight on the worldwide pay gap faced by women in the workplace. So, what's the situation here at home? Well, many studies show that the average pay gap between men and women in South Africa is between 20% and 30%, putting women at a big disadvantage.

The unfortunate truth is that in many households women have little control over their income. Although they are exposed to day-to-day budgeting, they are more inclined to leave long-term financial planning and issues to their partners. That's why it's critical to focus more research on a woman's financial world and provide solutions to the challenges that women face.

Although we didn't focus on male vs female-headed households, our survey did consider the Financially Knowledgeable Person (FKP) in the home.

Basically, this is a person who can provide the most information on the household. They may not be the head of the family, but they get their hands dirty when it comes to the household's money management. One way of looking at it is that where females are the FKPs, they are likely to have a strong say on their household's finances.

We compared the personal empowerment skills between male and female FKPs and picked up on some very interesting patterns:

- Women, much more than men, reported feeling that they are 'pushed around in life', with little they can do to change the things that matter in their lives. The result? A sense of helplessness when dealing with life's challenges.
- In one way or another, women feel less empowered than men, seeing this feeling spill over to household money matters.
- It's both interesting and inspiring that female FKP households felt able to do anything they set their minds to, and being responsible for their futures.

Financial wellness component scores of female vs male FKP households | 2018

	Male FKP households	Female FKP households
Social empowerment (social capital)	5.3	4.5
Education (human capital)	7.1	6.7
Income (physical capital)	5.7	4.5
Net wealth (asset capital)	5.6	4.8
Living conditions (environmental capital)	7.0	6.9
Financial wellness index score	71.4	65.7

As you can see, the only area where females and males match-up is in living conditions.

This could be thanks to the government's RDP housing programme or the increase in single women property ownership as highlighted in a recent Lightstone property report.

If you look at the income section, you'll see that it says the same as the pay gap research.

A closer look at their sources of income showed that FKP women earned only 36.8% of all salaries and wages, pulled in 31.8% of investment income and took home just 23.4% of net profits.

In contrast, women received 60% of government grants.

Obviously, these income inequalities affected their overall net wealth. They scored much lower on net wealth (4.8 compared to 5.6 for their male counterparts) and held much lower financial and non-financial assets than male FKP households. This translates to their portion of household net wealth coming in at only 30%.

A smaller amount of female FKP households held a tertiary education as their highest level of education (within the household) when compared to men. This explains the imbalance in the education section of the index causing further negative impact to the income component.

All of these things – lower salaries, lower net wealth and lower education scores – hurt the overall level of the financial wellness of female FKP households.

While 33.6% of male FKP households were financially well, this was only the case with 20.4% of female FKP households. With about 23.8% of male FKP households in the financially distressed and financially unstable categories, this was the case with 34.6% of female FKP households.

One clear question emerges:

Did female FKP households do worse than their male counterparts because of the lower financial wellness scores or did they show less savvy financial behaviour? The answer is a bit of both.



Some comparisons between the financial habits of male and female FKP households are:

- Where 32.7% of male FKP households have a written/electronic budget, 30% of female FKP households have their budgets written down or in electronic format.
- Budgeting styles are also similar, with 25.4% of female FKP households and 25.8% of male FKP households stating that when they budget, they plan exactly how all their money will be used.
- 27% of male FKP households stated that they have a comprehensive financial plan, while only 18% of female FKP households have a comprehensive financial plan.
- Only 13.2% of female FKP households have an up-to-date signed will, compared to 20.7% of male FKP households.

- A lower portion of female FKP households stated that they will have access to savings or investments in case of a financial emergency.
 While 40.5% of male FKP households stated that they have emergency savings, only 30.3% of female FKP households have this in place.
- While 39.6% of male FKP households are contributing to either a retirement annuity or pension plan, only 27.6% of female FKP households are taking this step monthly.
- Self-reported financial literacy levels are slightly lower in female FKP households, with 78.9% registering low levels of financial literacy, compared to 73.5% of male FKP households.
- Although the levels of households making use
 of professionals as financial advisers are very
 low, there is a difference between male and
 female FKP households. While 5.7% of male
 FKP households make use of professionals
 for financial advice, only 3.6% of female FKP
 households are doing the same.

Without a doubt, the financial state of women in South Africa is and should be an issue that needs urgent attention.

While gender roles are slowly changing, the fact remains that when compared to men, women have a more difficult path to financial success. It is clear that women (especially in rural areas) are at a disadvantage.

A unified effort to increase and improve women's educational achievements and to provide them with opportunities to gain relevant experience in the workplace will make a huge difference in empowering them.

For example, women with a tertiary qualification and work experience earned much more (from different income sources) than women in other demographic groups (with just a secondary qualification and no experience).

About 20% of salaries and wages earned by females come from women with a tertiary qualification and work experience (in the 40 to 54-year age group), but they constitute only 8.8% of women in the 15 to 64-year age group. Similarly, about 20% of the net profits earned by women comes from the same group (tertiary qualification with experience), but they make up only 4% of women in the 15 to 64-year age group. This clearly shows the benefits that women with a tertiary qualification and experience receive.

What can we learn from this?

It's clear that so much more can be done to help women to achieve financial success and support to progress towards financial success. Our research showed a critical need to improve women's ability to take control of situations, their financial literacy, their access to affordable and quality financial advice, assistance with financial planning and goal setting (including a plan for old age) and providing them with the opportunity to gain relevant experience in the workplace.

9 | Tips for reaching financial success

When it comes down to it, our research is nice to know, but it's no good if it doesn't come with the practical tools to put it into practice. So, we've collected our top tips for reaching financial success.

a | Do your research

First thing's first: what do you want to achieve? Start your journey by setting your financial goals, both short-term and long-term. Along the path, remember that every short-term goal is a step closer to a long-term goal. The more goals you achieve, the more successful you are.

b | Assess your mental strength

Mental strength is very important when making decisions to achieve goals. It is so important to know yourself. For example, what kind of money personality you are. If you know you are a Big Spender, you will have to find ways that will slow down your spending. Or, if you are a Debtor, you need to be honest about it and then make choices that will reduce your reliance on debt to fund your expenses.

c | Get the right tools

Inform yourself on the use of tools that will help you achieve your goals and make the right financial decisions. What works best, you ask? Well, this would definitely include budgeting and planning tools, using financial calculators for debt and retirement planning, and making an appointment with financial experts such as financial advisers, tax and estate planning experts and even debt counsellors.

d | Knowledge is power

It's an old saying but it rings forever true.

Understanding the ins and outs of savings, investments and insurance, how to reduce financial stress and make good decisions will be your best support system. It is also important to know how different types of loans work – and that some loans and credit can cause great damage to a household's financial situation.

To help you understand, gain access to financial calculators and understand how to use them.

e | Find a coach

A good financial adviser is important in the process of goal setting and guiding households on their journeys towards achieving their goals. Financial advisers have the tools to answer some of the "how much" questions (eg how much should I save for retirement, how much insurance do I need). Remember to ask for references and do due diligence on your adviser to make sure that they are not only of high quality, but also honourable in their ways.

In a nutshell, you're looking for someone who will put their clients first. A good financial adviser (or financial coach) can also prepare a person for the reality that households experience on a daily basis and can assist households in times of need.

f | Plan for the unknown

So many of us set out on the journey without realising the difficulty of such journeys. Experience has shown that our circumstances will often not be easy and there will be obstacles along the way. Dangers such as slow economic growth, high price inflation, unemployment, theft and accidents or the sudden loss of an income earner are all stumbling blocks on the journey.

That's why it's so important to make sure that you have a support network or emergency savings in place when challenged with the unexpected.



Expert tips from 'success scientists'

But don't just take our word for it. Ask the experts.

Having completed the 2018 Household Financial Wellness Index, the Momentum/Unisa research team invited a group of authorities (economists, financial advisers, financial sector researchers and managers and academics) to submit tips on how consumers can achieve financial success.

Take control of your financial journey and accelerate your momentum with this specialist advice:

- Let's start with the basics: do not save less than you should, reduce your financial vulnerability with proper insurance cover, don't participate in get-rich-quick schemes or schemes you don't understand.
- To achieve the goal of not spending more than you have, you need to create a budget with set goals and priorities. That's the easy part.
 The most important part is to stick to it. You may also need to get rid of the non-priority items, so what's left is what's important to your household, ie quality spending.
- Set your retirement, insurance and debt goals after you gained the knowledge from experts.
 Once you have made your contributions to your retirement and insurance policies and paid off your affordable debts, you can use the rest of your money in any way you like.
- Find the answers to the "how much"
 questions how much should I save for
 retirement, how much of my income should I
 use to repay debt, how much life insurance do
 I need (if any) and how much does it cost, etc.
- Don't be easily convinced to buy something
 if you didn't plan for it. A discount is only a
 discount if you need the item and have the
 cash (budgeted) to buy it.

- If you can, support your main income by having other streams of money – part-time job, small business etc.
- Debt should be an enabler, not a disabler.
 So, do not take up loans for holidays and unnecessary luxuries. Don't make debt to pay debt. Connect with your creditors and make arrangements if needed.
- Be well informed: read newspapers, listen to the radio, watch television news and financial channels. Make sure you get opinions from different people as one person may not be the only or best source.
- The final bit of advice. Always think of tomorrow: plan for the long-term.

10 | Personal pledge to be a responsible financial citizen on my journey to financial success

I (name)
commit to become financially successful. I pledge to spend with
a purpose and remain within my means, not incur bad debt, to keep
educating myself and seek counsel before a financial disaster occurs.
I will do my best to provide for my (household's) needs. I will contribute
to provide for the needs of others when possible. I will also do my
best to set an example by making smart financial choices.
My three main goals are to:

"Personal finance is 20% knowledge, 80% behaviour"

Dave Ramsey

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Annexure A | Which households did we speak to?

Sample size | 3 073 households

Age group

18-24	8.6%
25-34	26.7%
35-44	24.1%
45-54	17.9%
55-64	13.1%
Older than 65	9.6%

Education

Some primary	1.7%
Completed primary	17.2%
Completed secondary	57.6%
Tertiary	23.5%

Employment status

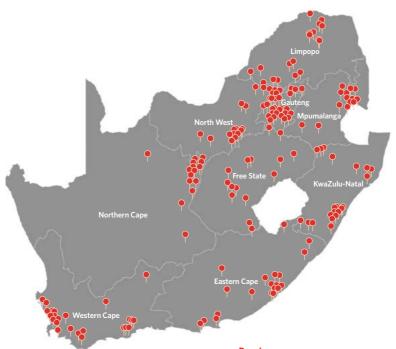
Employed	54.5%
Not economically active	18.5%
Unemployed	26.9%

Relationship status

Never married/Single	45.6%
Married/Living together	43.0%
Single after marriage (Widowed/Separated/ Divorced)	11.4%

Income group

Very low (R0 - R22 500 pa)	19.2%
Low (R22 501 - R100 000 pa)	35.9%
Low emerging middle (R100 001 - R222 000 pa)	19.3%
Emerging middle (R222 001 - R464 000 pa)	15.1%
Realised middle (R464 001 - R931 800 pa)	6.8%
Emerging affluent (R931 801 - R1 750 000 pa)	2.1%
Affluent and wealthy (R1 750 001 + pa)	1.7%



Province

8.7%
6.4%
21.6%
16.3%
8.5%
8.6%
8.4%
4.9%
16.7%

Annexure B | Descriptives of financial wellness groups: proportion of households in group

	Financial wellness groups				
Age categories	Distressed	Unstable	Exposed	Well	Total
18-24	1.1%	28.4%	47.7%	22.7%	100%
25-34	1.7%	27.5%	47.3%	23.6%	100%
35-44	0.8%	26.5%	41.4%	31.3%	100%
45-54	2.2%	25.6%	40.4%	31.8%	100%
55-64	1.7%	24.8%	40.0%	33.5%	100%
Older than 65	1.4%	24.0%	35.8%	38.9%	100%

	Financial wellness groups				
Relationship status	Distressed	Unstable	Exposed	Well	Total
Never married/Single	1.9%	31.4%	44.5%	22.1%	100%
Married/Living together	1.0%	19.5%	40.9%	38.6%	100%
Single after marriage (Widowed/Separated/ Divorced)	1.7%	31.3%	41.3%	25.6%	100%

	Financial wellness groups				
Education group	Distressed	Unstable	Exposed	Well	Total
Some primary	26.9%	69.2%	3.8%		100%
Completed primary	3.6%	59.2%	33.6%	3.6%	100%
Completed secondary	0.7%	23.7%	51.1%	24.5%	100%
Tertiary	0.1%	5.4%	31.0%	63.4%	100%

	Financial wellness groups				
Employment status	Distressed	Unstable	Exposed	Well	Total
Employed	0.8%	20.1%	40.5%	38.5%	100%
Not economically active	1.1%	25.3%	43.1%	30.6%	100%
Unemployed	3.1%	39.5%	46.5%	10.9%	100%

					_
		Financial wellness groups			
Province	Distressed	Unstable	Exposed	Well	Total
Eastern Cape	4.1%	43.6%	38.7%	13.5%	100%
Free State	2.6%	35.7%	42.9%	18.9%	100%
Gauteng	0.6%	18.7%	39.8%	40.9%	100%
KwaZulu-Natal	1.8%	25.7%	39.5%	32.9%	100%
Limpopo		26.5%	52.3%	21.2%	100%
Mpumalanga	3.0%	27.8%	45.2%	24.0%	100%
North West	0.8%	35.7%	44.6%	19.0%	100%
Northern Cape		24.3%	48.7%	27.0%	100%
Western Cape	1.4%	19.1%	42.0%	37.5%	100%

	Financial wellness groups				
Income group	Distressed	Unstable	Exposed	Well	Total
Very low (RO - R22 500 pa)	6.8%	59.8%	32.7%	0.7%	100%
Low (R22 501 - R100 000 pa)	0.5%	32.1%	56.0%	11.3%	100%
Low emerging middle (R100 001 - R222 000 pa)		12.8%	43.4%	43.8%	100%
Emerging middle (R222 001 - R464 000 pa)		3.9%	36.6%	59.6%	100%
Realised middle (R464 001 - R931 800 pa)		1.4%	25.2%	73.3%	100%
Emerging affluent (R931 801 - R1 750 000 pa)		3.2%	15.9%	81.0%	100%
Affluent and wealthy (R1 750 001 + pa)		3.9%	17.6%	78.4%	100%

