The role of financial advisers in raising national savings levels

National savings levels are vital to realising the growth set out in the National Development Plan (NDP). However, South Africans are notoriously bad savers.

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According to the *2017 Old Mutual Savings & Investment Monitor*, working South Africans allocate only 15% of their income towards savings. "The picture becomes even gloomier when we consider that the gross rate of savings for the entire population is at a worrying 3%," Jay Naidoo of Old Mutual Personal Finance said at the 2017 Advice for Life roadshow.

Naidoo explained that these statistics emphasise the extent of the national savings deficit and the large gap that exists between targeted economic growth of 5.4% per year, as per the NDP, and the ability of the South African economy to fund that growth.

"This low savings rate is exacerbated by a constrained economic environment, making it even more difficult for people to save," he said. "Low income households are spending more on consumption and living expenses, with about 46% of metro working households saving less than they did a year ago."

Promoting a savings culture

Naidoo believes that financial services providers and advisers have a vital responsibility to promote a savings culture via collaborative advice and financial literacy efforts. "Providing a service that combines financial advice and education is critical," he said.

According to Naidoo, misconceptions about who can access advice is the first issue. “Dispelling the myth that advice is only for wealthy consumers should be a key priority for the industry,” he said. “People from all walks of life benefit from advice. By walking the journey with a customer, advisers are able to craft financial plans that reflect the lifetime goals and aspirations of customers, and most importantly, set out the steps they need to take to get there.”

This shared journey also enables an effective educational engagement between adviser and customer. “The financial literacy crisis we face in this country is not because of a lack of available information,” said Naidoo, “it is because of a lack of relevance, understanding and engagement.”

Form literacy partnerships

A good adviser understands their customers – when, how and what information they need and want. “With the platform in place for sharing of educational information, the next step is for advisers to partner with a provider who offers relevant financial literacy material and tools,” said Naidoo.

He explained that improving basic financial understanding will lead to a greater understanding of the role of credit, whether you should use credit or save, and then an understanding of which savings vehicles are best for your needs.

Naidoo concluded that a successful collaboration between advisers and service providers will enable effective financial literacy initiatives. This in turn drives savings, reduces wasteful spend and bad debt and ultimately drives broader economic growth.