Sanlam

Live with confidence

The 2023 Sanlam Financial Confidence Index

How financially confident
is South Africa?

In this first of its kind research report,

Sanlam unveils a study conducted in South Africa to assess the financial confidence levels of its adult population. Personal finances have a profound impact on human behaviour, influencing decision-making, lifestyle choices, relationships, and overaa
The study surveyed over 1 500 respondents, revealing concerning statistics: 81% of South Africans surveyed experience stress when managing their personal finances, while only 17% feel content with their financial situation. These findings underscore the need to explore the underlying factors influencing financial confidence in South Africa.

The Sanlam Financial Confidence Index will be conducted annually. A comprehensive index that aims to establish a reliable benchmark for measuring financial confidence and associated behaviours among South Africans. By monitoring these trends annually, the index serves as a barometer for evaluating financial determination, well-being, and resilience nationwide.

Through this report, our aim is to empower individuals to make informed decisions about their finances, enhance financial well-being among South Africans and foster a more confident, resilient society.

How do we define **financial confidence?**

Financial confidence refers to the level of assurance and belief in one's ability to manage and navigate their financial lives effectively.

We believe it's made up of **three key aspects:**

Financial Determination

which reflects an individual's proactive mindset and commitment to achieving their financial goals.

Financial Resilience

representing the capacity to bounce back from financial setbacks or unexpected challenges and adapt to changing circumstances while maintaining a sense of stability.

Financial Well-being

signifying the overall state of financial health and satisfaction, where individuals have the resources and knowledge to meet their present and future financial needs.

Achieving financial confidence involves cultivating a strong sense of determination, building resilience, and nurturing overall financial well-being. When people are financially confident they are able to face financial challenges, achieve their goals, and build long-term security.

Meet the **experts**

Dr Mavis Mazhura:

Mavis is an international behavioural science and performance specialist, organisational development consultant and practitioner with expertise in human dynamics in organisations. Mavis is the author of multiple books, namely, “Navigating the Rapids and Waves of Life: 10 Lessons to Managing Emotions for Success”, “Managing Emotions for Financial Freedom: The Invisible Forces Driving your Money Habits” and “Heart Boundaries”. She is also the co-author of “The Change” and co- founder of “Training B2B CC”, a leading provider of emotional intelligence training.

Mariska Oosthuizen:

Mariska is a highly accomplished and awarded creative brand strategist, integrated marketing specialist and Chief Marketing Officer (CMO) at Sanlam Group. Mariska’s qualifications include a BProc Law degree from the University of Johannesburg, an Emerging CMO: Strategic Marketing Leadership qualification from the Stanford Graduate School of Business and a Sanlam Advance Leadership Certificate in Design Thinking from the University of Cape Town.

Sipho Mncwabe:

Sipho is Head of Adviser Transformation at Sanlam, responsible for an initiative that seeks to significantly increase the number of black Financial Advisers who are successful in the higher end of the market. He has 20 years of experience in the financial services industry and 14 of these years have been with Sanlam. He holds a B.Sc degree and an Honours degree in Philosophy, both from Wits University as well as an Advanced Post Graduate Diploma in Financial Planning, majoring in Estate Planning and Investment Management, from the University of the Free State. He was also a member of the Golden Key society at both universities.

Section One

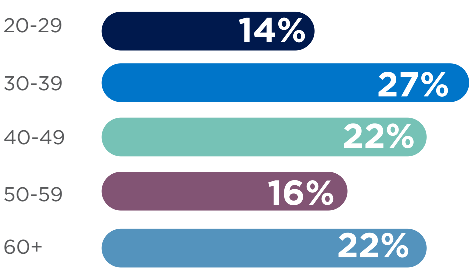
The study and the **sample**

To collect the necessary data, we worked alongside the renowned market research company, African Response, to conduct a survey among more than 1 500 South Africans. Survey questions were crafted to ensure optimal accuracy and the Index itself was developed through a meticulous application of various statistical procedures.

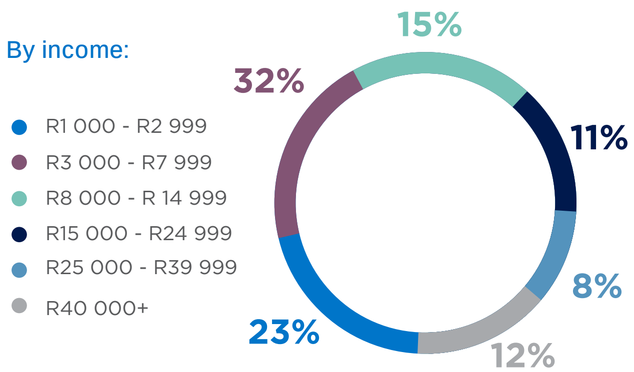
The sample included individuals between the ages of 20 and 70, with a minimum personal income of R1 000 from various sources such as employment, grants, and pensions. Participants were primarily from metro and urban areas, encompassing all provinces. To ensure accurate representation, the results were weighted according to population proportions derived from the Bureau of Market Research (BMR) estimates. This comprehensive and inclusive approach offers valuable findings that shed light on various segments of the South African population.

See the sample below

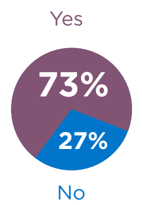
By Age:



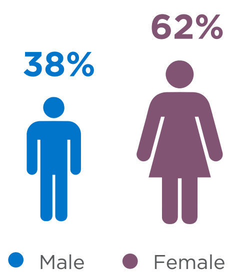
By income:



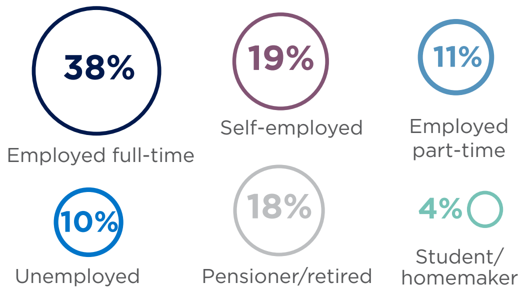
With financial dependants



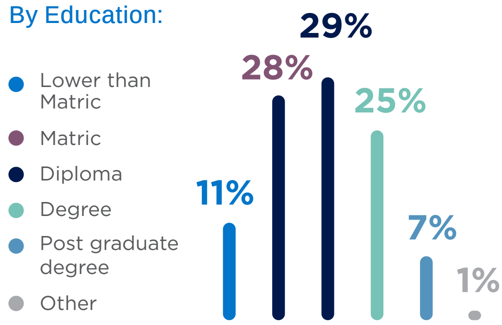
By Gender:



By Employment:



By Education:



Executive **Summary**

More than half **(51%)** of South Africans surveyed have below average or lower financial confidence.

Just over a third **(35%)** of South Africans surveyed have very low or low financial confidence.

Less than a third **(29%)** of South Africans surveyed have high or very high financial confidence.

Younger South Africans are more financially determined.

All life stages show low levels of financial well-being.

“When analysing the demographic data, it’s clear that there is a strong link between education, income and confidence.” Mazhura explains. “Individuals with less education tend to earn less, making it harder for them to achieve financial confidence. A disparity in education often begets a parallel disparity in income, resulting in a domino effect that gradually erodes financial well-being, leaving individuals with diminished resources to build their financial confidence.

“Though low levels of financial well-being are evident across all groups, younger individuals have the advantage of being exposed to personal finance education and information early on in their careers, giving them the freedom to make informed decisions about their families, living situations, and personal assets, resulting in higher financial determination.” she adds.

Demographic Trends:

The Earning and The Educated:

Those with higher incomes and education levels display the highest levels of financial confidence.

The Employed:

Full-time and self-employed people have a higher level of financial confidence versus part-time workers, the unemployed, pensioners and retirees. Interestingly, students and homemakers also displayed higher financial confidence than the unemployed, part-time workers, and retirees.

The Caretakers:

Those who have dependants show slightly higher financial self-determination and financial resilience, however, they show little difference in terms of financial well-being.

The Gender Confidence Gap:

Women show lower financial resilience and financial well-being in comparison to men but have higher financial self-determination.

The sense of purpose that comes with being a caretaker may have an impact on levels of financial determination and resilience, according to Oosthuizen:

"Taking care of and supporting dependants makes people more determined to build financial stability. This strong motivation usually leads to a commitment to financial goals and a willingness to weather challenges. Even though these people show higher resilience, it's interesting to see that this commitment doesn't always translate into strong financial well-being. This could be because of various factors like how resources are distributed, unexpected financial problems, and the overall economic situation. It's also worth acknowledging that many caretakers operate under constant pressure and stress due to the responsibility of providing, which can ultimately affect their overall well-being and financial success."

Oosthuizen also says that the phenomenon of women showing more financial determination compared to men, despite the gap in confidence, reflects both societal factors and personal motivation.

"While the results reveal that women often exhibit lower financial resilience and well-being, their higher levels of financial self-determination could stem from a necessity-driven motivation to overcome systemic biases. As women navigate a landscape where traditional gender norms intersect with economic challenges, they may be compelled to take control of their financial lives, fostering financial determination."

Mahzura adds that individuals such as students and homemakers exhibiting greater confidence compared to those who are working part-time or retired can be attributed to the fact that their financial goals and activities are limited to parts of the financial cycle.

"Homemakers, for instance, may concentrate on household spending and saving, limiting their involvement to certain aspects of financial management as they may not be engaging with other dimensions of the money cycle such as repairing debt, increasing or maintaining earnings, investing, and protecting income. In contrast, part-time workers, and retirees often grapple with a broader spectrum of financial responsibilities which can create uncertainty for many of them as they are engaging with both the personal and contextual constraints."

Section Three

Breaking down **financial Confidence**

Financial determination:

What are the elements of financial determination for South Africans and how are we faring?

55%

of South Africans surveyed have a vision for their finances.

61%

of South Africans surveyed have short term financial goals that reflect their values and visions. This number drops to 54% for long term financial goals.

52%

of South Africans surveyed have goals for their own financial education and literacy.

62%

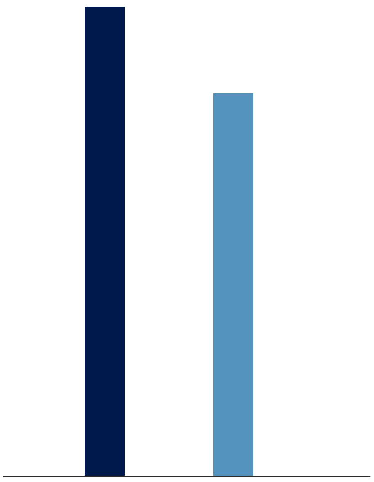
of South Africans surveyed have plans in place based on their financial needs.

Oosthuizen says financial confidence lies in prioritising the long-term.

"The fact that we see a dip in long-term financial goals makes sense because humans have a tendency to prioritise the now over long-term gains and goals, but building a financially confident future requires foresight and discipline which many of us have trouble with. This is evidenced in the low amount of people who are saving and tracking their goals."

SA's strongest elements of financial determination:

78% of South Africans surveyed are aware of their ***financial beliefs*** about debt, earning, managing, investing and protecting personal finances.



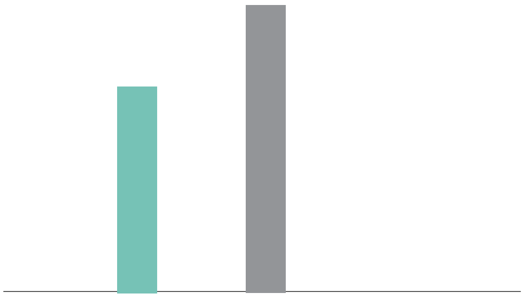
76% of South Africans surveyed are aware of the gaps in their ***financial knowledge.***

Mazhura says it is encouraging to see high levels of awareness regarding financial knowledge gaps and financial beliefs.

"While awareness is progress, this needs to translate into financial learning goals and education, as learning about money boosts financial confidence." She also says there may be a flip side to the coin, "This awareness can actually become a barrier or self-limiting as in the financial resilience dimension, people generally still have a low level of trust in their financial abilities."

SA's weakest elements of financial determination:

Only **39%** of South Africans surveyed have a ***financial goal tracking system*** in place.



46% of South Africans surveyed review their ***financial values*** every 3 years.

Mazhura suggests that this has an impact on an individual's capacity and self-confidence in relation to their financial objectives.

"With a lack of goal tracking, the future can become unclear. You may establish goals and subsequently forget about them, which can influence both your ability to accomplish them and the level of trust you have in your own capabilities over time. Ideally, monitoring your financial goals and reviewing your financial values should offer insights into areas that require improvement, adjustments, and adaptability."

Who are South Africa's most financially determined?

Women show higher levels of financial determination in comparison to men but overall, South Africa's young adult population **(20-29 and 30-39 year olds)** display the highest levels of financial determination. According to Mazhura this makes sense as this is the exploratory, discovery phase of life. During these early adult life stages individuals are making choices and taking action in the direction of what they want their lives to look like.

In these particular stages of life, individuals generally have fewer obligations. Nevertheless, we know that individuals in these youthful stages of adulthood are more inclined to seek financial guidance online rather than from professional financial advisers. This suggests that they may be overlooking the advantages of early planning. Oosthuizen says fintech has the power to bridge this gap.

"Providing accessible and relevant financial education through fintech applications, is a great chance to bolster financial literacy. By harnessing the capabilities of fintech, we can tap into the preferences of the younger tech-savvy generation and offer them convenient ways to embrace the benefits of early financial planning."

After the age of 39, financial determination decreases as the consequences of past decisions start to have a significant impact, along with the growing responsibilities that come with establishing oneself. According to Mazhura, the ability to make changes becomes more difficult.

"Altering the composition of one's family is not possible, and adapting to financial changes becomes even more challenging. This highlights a potential gap that, without expert guidance in the planning process, may overlook the transformations that arise throughout different stages of life."

Section Four

Financial **Resilience**

What are the elements of financial resilience for South Africans and how are we faring?

Financial control:

2 in 5

South Africans surveyed feel they have some financial freedom to make choices they enjoy in life.

Just over half **(52%)**

of South Africans surveyed feel in control of their day-to-day and monthly expenses.

Positively, the majority **(62%)**

of South Africans surveyed have the courage to live within their income.

51%

of South Africans surveyed feel they are on track to pay off their debts.

Only **40%**

of South Africans surveyed say they are equipped to manage a financial setback.

Financial management:

Less than half **(46%)**

of South Africans surveyed feel on track to meet their financial goals.

60%

of South Africans surveyed feel confident that their financial decisions align with their financial values, while the financial self-determination research notes that

61% have short-term financial goals and

54% have long-term financial goals that reflect their values.

57%

of South Africans surveyed feel they manage their finances in a way that makes them feel secure.

Just over half **(53%)**

of South Africans surveyed are building wealth, and not just paying off debts. This explains why few feel they can handle a financial setback.

Only **35%**

of South Africans surveyed review their finances with an expert annually.

Mncwabe says this concerning trend among South Africans means that bridging the gap between financial intentions and actions necessitates the expertise and support of a knowledgeable adviser.

"An adviser can impart crucial knowledge and can guarantee the customisation of plans based on individual needs but very importantly, they can act as an accountability partner in the execution of financial plans."

Mazhura adds that expert advice helps with setting realistic plans and building foundations for later life stages.

"With so few reviewing their finances annually with a financial planner, and if trust in one's own abilities is low, chances of setting realistic goals may be compromised. While self-determination may be high, one may wonder if one's life shopping basket may not be filled up too quickly or with costly things that affect the next stages of life, given there is higher self-determination in early stages."

Financial skill:

Only **35%** **of South Africans surveyed trust their own financial abilities,** with the **lowest levels of self-trust among 40 – 60 year olds.**

Mncwabe says this finding reveals a worrisome gap in financial guidance. "This underscores the requirement for financial education and advice in order to build self-trust. South Africans have multiple avenues available for boosting their financial management abilities, such as reading materials from dependable sources and engaging a reliable financial adviser."

Yet **57%** **feel they have the skills to identify the financial products for their financial needs.** However, among the older life stages (40+), this sentiment is slightly less common compared to the younger life stages.

The majority **67%** of South Africans surveyed **have the courage to negotiate prices and repayment terms.**

Encouragingly, nearly **70%** **of South Africans surveyed upskill themselves to increase their earning power.**

"This trend underscores not only a desire for personal growth but also a keen awareness of the evolving job landscape among South Africans. This also impacts building personal finance skills by giving individuals better opportunities to earn and manage money more confidently." says Oosthuizen.

Financial support:

Just over half **52%** of South Africans surveyed say they have access to credit should they need it.

The same amount of South Africans surveyed say they can rely on friends and family members in a financial emergency.

43% of South Africans surveyed say they can rely on friends and family to gain financial knowledge.

Worringly only **34%** of South Africans surveyed have insurance products in place to adequately cover their financial risks.

Only **42%** of South Africans surveyed have insurance cover for estate duty in the event of their death.

Section Five

Financial **Well-being**

How are we faring?

Only **17%** of South Africans surveyed don't feel unhappy about their current financial situation.

Only **18%** of South Africans surveyed don't feel scared that they don't have enough investments for their future.

Only **19%** of South Africans surveyed don't feel stressed when dealing with their day-to-day personal finances.

Only **24%** of South Africans surveyed don't feel uncertain about their ability to earn income in the future.

Only **31%** of South Africans surveyed don't feel self-conscious or scared when talking about money.

Only **33%** of South Africans surveyed don't feel that their assets are unprotected.

Only **33%** of South Africans surveyed don't feel upset or embarrassed about their financial situation when growing up.

Only **42%** of South Africans surveyed don't feel hopeless about their debt situation.

Mazhura emphasises that hiding and avoiding discussions about past financial situations hinders personal growth and smart decision-making. **"When individuals feel embarrassed about their financial past, particularly during their formative years when they had no control over their financial situations, they tend to hide and avoid discussing it. By acknowledging and reflecting on their financial past, individuals can cultivate self-awareness and learn valuable lessons that can help them establish a solid financial foundation."**

Oosthuizen says the sample, which includes 62% women, highlights the effect that socio-economic circumstances have on the financial well-being of South African women. **"Women's financial situations are influenced by historical and systemic factors like limited opportunities for higher-paying jobs and financial education. This can create a cycle where embarrassment hinders their learning, leading to financial mistakes, more embarrassment, and less educational progress."**

According to Mazhura, when individuals are unhappy with their financial situation, it affects their overall well-being and their ability to effectively handle various financial aspects such as earning, repairing, managing, investing, and protecting money. **"Demographic data reveals that 54% of people earn R8 000 or less, while the estimated cost of living in South African cities is much higher. Consequently, those earning below R8 000 in the city often experience regular financial worries and resort to borrowing to make ends meet, leading to further negative emotions."**

"While the above statistics are a sign of the times in that they are indicative of the economic climate we are in, there are steps that individuals can take to equip themselves to make better financial decisions. And these steps do not always cost money. By actively investing in their financial education and seeking knowledge, individuals can overcome feelings of shame, empowering themselves to navigate the complex financial landscape with confidence." adds Mncwabe.

Are there any financially “well” age groups in South Africa?

The short answer is not really. The bleak reality is that no age group is displaying a healthy level of financial well-being and all age groups show low levels of financial well-being. However, the youngest (20–29-year-olds) and oldest (60+) show the highest level of well-being.

The results show us that a considerable proportion of people are feeling unhappy about their current financial situation, stressed when dealing with their day-to-day and month-to-month personal finances, and anxious and afraid because they don’t have enough investments for the future.

According to Mazhura, this makes sense considering inflation, food price increases, and interest rate hikes which put more financial pressure on consumers and cause emotional shock.

“When feeling financial pressure, negative emotions are inevitable. It creates sadness about potential losses or restrictions, stress from trying to stretch the Rand or not meeting obligations and anxiety from the uncertainty and bleakness of the future. This explains the low levels of well-being across all life stages, as unfavourable economic conditions affect everyone.”

The Sandwich Generation is paying the literal price:

“Almost everyone tells you to save for your retirement, nobody tells you to save for your 40s.”
- Dr Mavis Mazhura.

There is evidence that financial confidence decreases with age, and picks up again in the later years of life. This tells us that financial confidence does not correlate with age, instead it follows a U-shape.

This confirms what is known as the Sandwich Generation. This stage (ages 40-49) typically has more financial responsibilities such as a mortgage and education costs but they’re also taking care of those both younger and older than them.

This stage also starts to re-evaluate or question choices and decisions made earlier in life. This life stage is also when we see the largest increase in people being self-conscious or afraid to talk about money. From 50s onward, the burden of some responsibilities lifts and confidence starts to build again.

The major predicament the Sandwich Generation faced is that the financial strain placed on them prevents them from saving adequately for retirement, ultimately perpetuating the vicious cycle of financial dependence.

Words from the **experts**

"Confidence is not a static skill, it is a muscle that needs to be continuously worked on as the research results show the fluctuation across the different stages of life."

– Dr Mavis Mazhura

"Financial confidence is not about having a robust portfolio or a high net worth; it's about feeling in control of your financial journey. One pivotal aspect of achieving this is recognising the significance of making the right money moves at each life stage. Your financial journey is a narrative of the choices you've made at each turn. With every decision made today, you shape not only your current circumstances but also the legacy you leave for future generations."

– Mariska Oosthuizen

"A journey of a thousand miles starts with one step. In the same way South Africans, no matter what their financial confidence level is, can take small steps to educate themselves to make better financial decisions. And if these steps are bolstered by a professional relationship with a trusted financial adviser, over time, they will lead to more financial confidence and an overall better quality of life."

- Sipho Mncwabe

Building on Sanlam's previous research report for the LI:FE of Confidence campaign, which examined finances through different life stages, this report serves as a continuation of our commitment to equipping Africans with the knowledge needed to enhance their financial confidence. Sanlam remains dedicated to fostering financial empowerment, literacy, and inclusion, empowering generations of Africans to live with confidence.

Sanlam

Live with confidence

Financial Planning | Retirement | Insurance | Health | Investments | Wealth | Credit