Overcoming the **urge to splurge**

South Africa's savings rate is puny, at 13% of GDP, far below many other emerging economies. ***Katherine Graham*** *reckons the whole country needs a lesson in delayed gratification.*

RECENTLY I CAME ACROSS an email that piqued my attention. It was a competition (I'm a sucker for these, I'll admit) from one of the big insurers to win an investment product worth R100 000. All you had to do was describe what your dream goal was – saving for an overseas holiday or your child's education, for instance.

I liked the idea of appealing to your imagination in order to get you to save. Let's be real: being told you need to save more is a bit like being told to go on a diet. It may be true, but it's not a very pleasant reality to face up to.

Let's consider the stats for a moment. Total gross domestic saving, which includes the contributions of households, government and business, has declined from 17.7% of GDP in the fourth quarter of 2010 to a mere 13.3% of GDP in the third quarter of 2012. Now before you start jumping up and down and blaming the government, which admittedly is spending more than the revenue it gets from taxes, remember that total household saving is 0%. That means that all of our savings come from private companies.

'South Africans have a culture of relying on credit,' says Kelsy Moodley of Alexander Forbes Financial Services. She believes that when it comes to saving for retirement, human beings are 'hyperbolic discounters' – a term coined by psychologist Richard Herrnstein. Simply put, it means that people prefer to spend more now rather than wait and have more money later. When faced with the choice of having R100 now or having R110 in a year's time, most people would opt for the former.

Kelsy points to the twin problem of under-saving: overreliance on credit. South Africa's household debt levels currently stand at 76% of consumers' disposable income. She attributes this to a feeling of entitlement. 'Many people feel that they deserve to have things and very often the only way for them to attain these products is through the use of credit. Other people see credit as part of their income. They do not see debt as something that needs to be repaid.'

This is too true. So how can we get South Africans to save more, given our high unemployment rate and the rising cost of living? Several experts I spoke to suggest thinking outside the box a bit when it comes to monthly expenditure. 'Consider starting a lift club to and from work in order to cut back on petrol costs,' recommends Brian o'Neill, of Old Mutual Private Wealth Management. 'Packing your own lunch for work could also easily save up to R100 a week.'

'The most volatile measures of CPI are fuel, energy and food,' says FNB chief economist Sizwe Nxedlana. 'Purchasing a more fuel-efficient car or using public transport, or installing energy-efficient light bulbs and geysers (or, better still, solar panels) are likely to make you less vulnerable to inflation.'

These ideas all highlight the importance of tracking your expenditure for at least a month (you'll be amazed at how much money slips through the cracks!) and then drawing up a budget regularly. There are some great online budgeting tools. Ask a financial planner for help if you need it. Remember that 70% of the money for your retirement will come from the first 10 years that you saved – the miracle of compound interest.

As the good book says, 'he who gathers money little by little makes it grow'. Here's to dreaming big to inspire you to save, and to having the diligence to see it through.

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