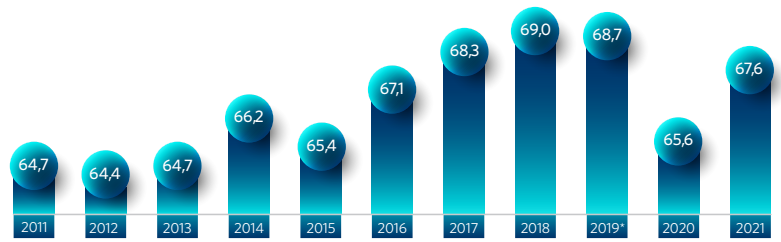


# Household Financial Wellness Index and its components

## SOME RECOVERY FOLLOWING THE BLOW IN 2020

- The general state of South African households' financial wellness improved in 2021 as the Household Financial Wellness Index increased to 67.6 points, following a steep decline in 2020.
- South African households' state of financial wellness is still far from what was achieved in 2018.
- The increase was mainly driven by improvements in their personal empowerment and income scores. Household income benefited from the economic recovery and the reintroduction of the Social Relief of Distress grant. Less restrictive lock downs contributed to the increase in households' personal empowerment capabilities as they felt they had more control over their lives.



\*Estimate as no survey could be conducted due to lock down  
Source: **Momentum/Unisa Household Finance Survey**, 2022

## THE CAPITALS

The Momentum/Unisa Household Financial Wellness Index comprises of five components representing households' embedded capitals which are resources and outputs which determine the level of household financial wellness, namely:

- The household's **educational status** [human capital] that is determined by the level of educational qualifications and professional skills of household members.
- The household's **personal empowerment capability** [social capital] reflects their ability to take control of their finances, their social networks and their trust in institutions.
- The **income statement** of the household [physical capital] represents the household's income and expenditure.
- The household's **balance sheet** [asset capital] is measured by the value of the household's wealth as determined by the outcome of the difference between their assets and debt.
- The quality of the **living environment** [environmental capital] reflects the state and quality of the household's dwelling.

	2020	2021	MOVEMENT
Living conditions	6.7	6.6	↓
Education	6.6	6.4	↓
Wealth	5.3	5.3	↔
Income	4.7	5.4	↑
Personal empowerment	4.5	5.2	↑



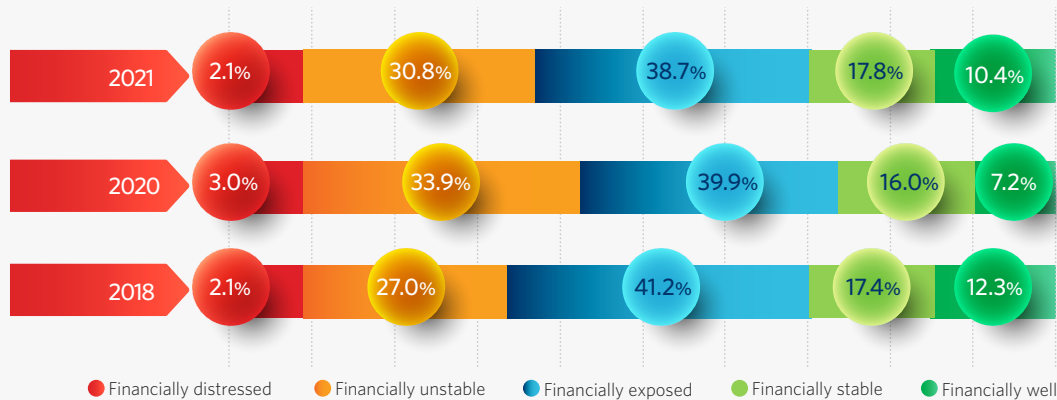
## THE OUTLOOK - RECOVERY LIMITED BY FACTORS OUTSIDE OF HOUSEHOLDS CONTROL

- Higher consumer price inflation, interest rates and load shedding expected to limit recovery.
- A slight increase in the Momentum/Unisa Household Financial Wellness Index is expected in 2022.
- This will mainly be driven by an increase in households' living conditions (due to an increase in residential property purchases), education status (due to more students completing secondary and tertiary studies) and real income (due to more people finding employment).

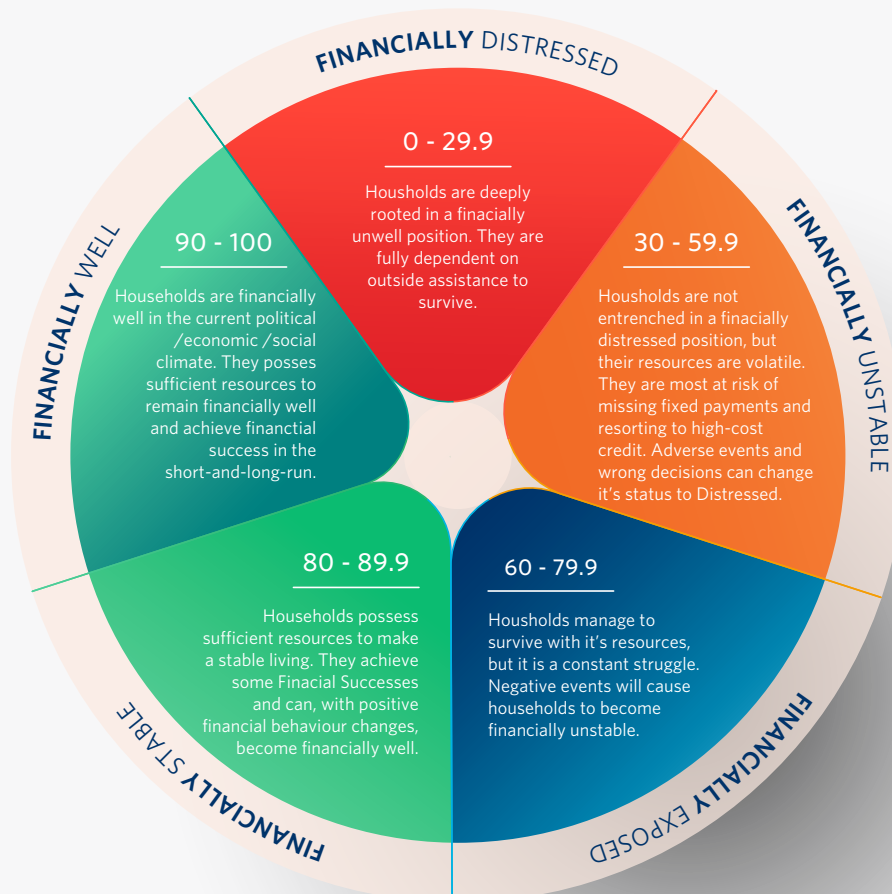
# The *Financial* Wellness groups

## COVID-19 TOOK ITS TOLL

- Although there is an increase in the share of households whose financial wellness improved in 2021, it is still less compared to 2018.
- Despite population growth, the number of households who were Financially Well increased from an estimated 1.3 million in 2020 to 1.9 million in 2021, which is still less than a 2.1 million estimate for 2018.
- The changes in the proportions of Financially Well, Financially Stable, and Financially Unstable households indicate that the impact of the economic recovery on financial wellness was unequal.



● Financially distressed ● Financially unstable ● Financially exposed ● Financially stable ● Financially well



# Achieving *Financial* Success

## WHAT IS FINANCIAL SUCCESS?

- Financial success is about achieving short-term goals in pursuit of long-term goals. True financial success does not come from looking at how much someone earns or how wealthy they are. It is assessed in terms of each individual and household's unique financial goals, which they need actively work towards - this will most likely make a household become more financially well.

51,6%

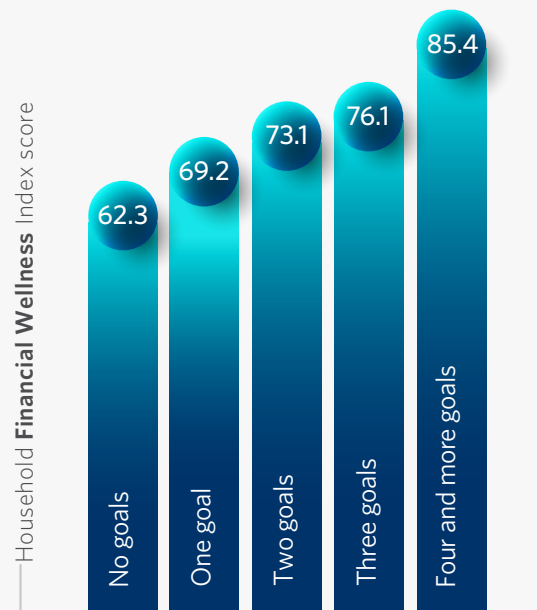
of households have one or more financial goals.

15,6%

of households are on track to achieve their financial goals.

## A CLEAR LINK - FINANCIAL SUCCESS AND FINANCIAL WELLNESS

- Financial wellness and financial success are closely linked through the setting and achievement of financial goals.



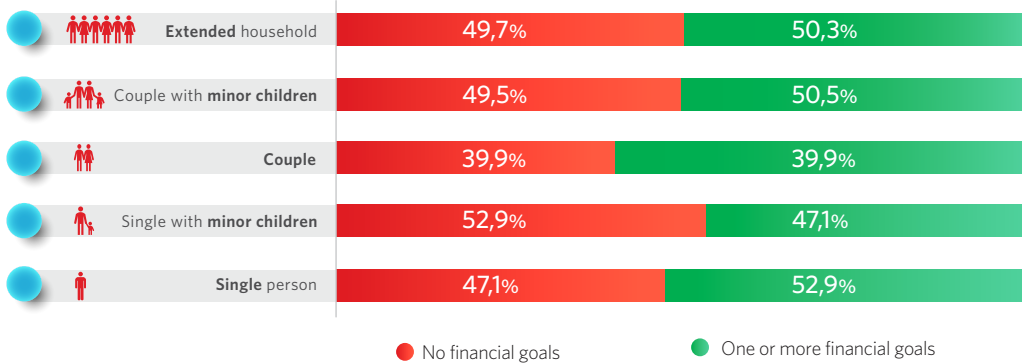
## GOAL SETTING: THE FIGHT FOR CONTROL

- Although being poor or rich plays a role, a big reason why people are financial-goal averse, has to do with the way that our brains are wired. When financial goals are set for the first time, or when new goals are formulated, they will experience resistance from the known routine side, making it difficult to accept the "new" and follow through.
- There is a science on how a person can maximise achieving his/her unique goals - and therefore become as financially successful as one can be:
  - First set your goals - for those who do not have goals, setting them will be the biggest gain.
  - Be very specific and clear on what your financial goals are and write them down.
  - Stay committed to the plan.
  - Ensure that your entire household is also aware of your plans so that you all work together and remain accountable to achieve your financial goals.
  - Monitor the progress and regularly adjust it towards improvement.
- Sometimes the changing circumstances makes it easier for households to achieve their financial goals, while it is more difficult during more stringent circumstances, but the science on goal achievement will assist them to remain on the path towards financial success, even in the difficult times.

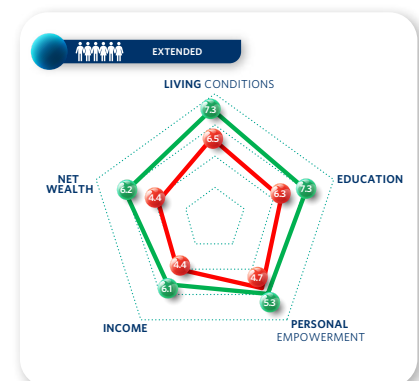
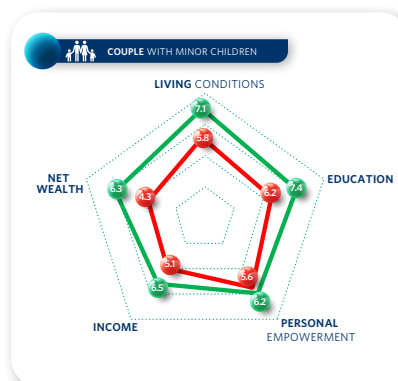
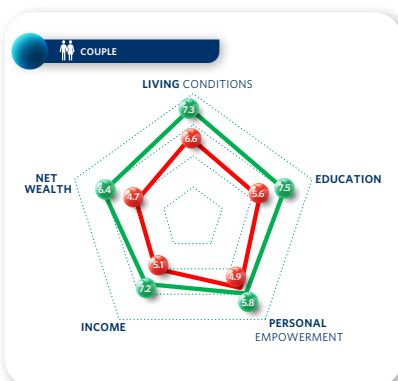
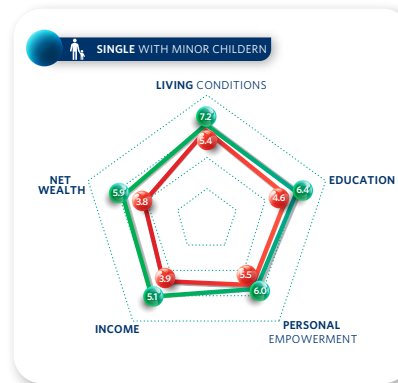
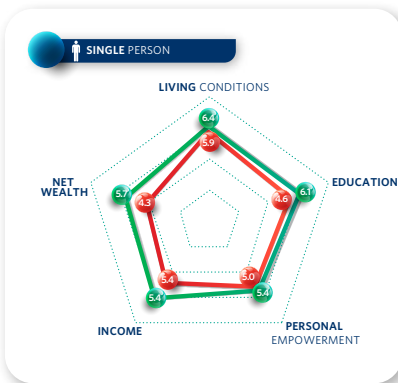
# Does the *type* of household matter?

## HOUSEHOLDS ON THEIR JOURNEY TOWARDS FINANCIAL SUCCESS

- Couples are more inclined to set financial goals in their unique financial plans. This also implies couples (regardless of minor children) tend to be more financially well. Influenced by the impact of combined incomes, they have a greater opportunity for asset building, which contributes to improved living conditions.
- Households that consist of a single person with minor children are least inclined to set financial goals.
- Low financial literacy plays a role as households tend to neglect planning for the future by setting long-term goals.
- To improve financial success and financial wellness, households must set and actively pursue the aim of achieving their goals.

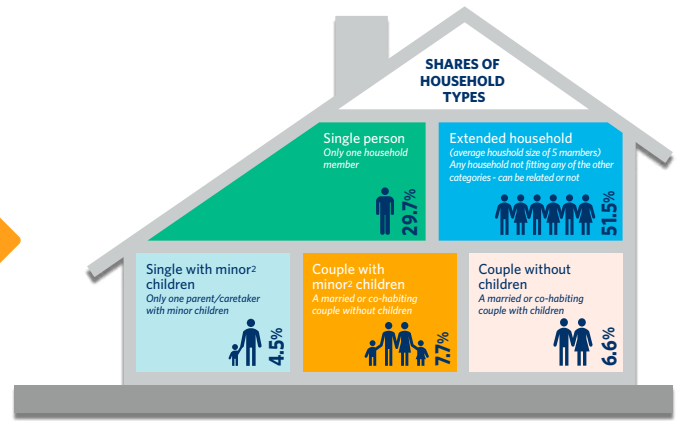


- The largest difference between households in goal setting was the impact on household wealth. Setting and pursuing wealth accumulation goals and strategies can ensure that households are financially comfortable when they retire.
- Households with financial goals perform better on all Momentum/Unisa Household Wellness Index components, when compared to those that do not have financial goals



# How do *typical* South African Households look?

- In South Africa, a large portion of households are characterised as either single or extended households.
- Single households tend to have lower levels of education compared to coupled households and extended households.
- The Financially Knowledgeable Person (FKP) tended to be female in single with minor children and extended households.
- Income inequality is a general concern, with a large share of households earning low levels of income. Households where there are multiple incomes (couples and extended) tend to be in the higher income groups.
- Single with minor children households and extended households seem to live in rural areas more than single or coupled households



	Single	Single with minor children	Couple	Couple with minor children	Extended
<b>AGE OF FKP</b>					
18 - 24	9.8%	3.8%	4.0%	2.3%	14.1%
25 - 34	36.5%	37.7%	23.5%	35.4%	26.3%
35 - 44	28.2%	37.4%	30.4%	39.5%	19.7%
45 - 54	12.8%	12.9%	23.9%	17.7%	19.6%
55 - 64	6.9%	6.5%	10.3%	2.5%	12.9%
65+	5.7%	1.6%	7.9%	2.6%	7.3%
<b>GENDER OF FKP</b>					
Male	57.2%	7.0%	48.1%	43.3%	33.7%
Female	42.8%	93.0%	51.9%	56.7%	66.3%
<b>HIGHEST EDUCATION IN HOUSEHOLD</b>					
Some primary	7.6%	3.5%	4.2%	4.3%	0.9%
Completed primary	27.1%	41.2%	17.7%	11.9%	16.8%
Completed secondary	49.4%	41.9%	51.2%	60.5%	61.5%
Tertiary	15.9%	13.5%	27.0%	23.3%	20.8%
<b>HOUSEHOLD INCOME GROUP</b>					
Very low (0 - R25 900)	22.6%	25.3%	13.4%	9.0%	17.8%
Low (R25 901 - R125 000)	38.4%	49.1%	34.1%	49.1%	44.8%
Low emerging middle class (R125 001 - R286 000)	15.9%	15.6%	9.6%	19.2%	15.6%
Emerging middle class (R286 001 - R575 000)	11.9%	4.5%	18.8%	7.3%	10.1%
Realised middle class (R575 001 - R1 050 000)	8.1%	3.6%	13.8%	12.2%	7.9%
Emerging affluent (R1 050 001 - R2 250 000)	1.6%	1.9%	8.3%	2.6%	2.8%
Affluent and wealthy (R2 250 001+)	1.6%		1.9%	0.6%	1.0%
<b>AREA TYPE</b>					
Metropolitan	42.8%	44.9%	39.9%	47.8%	41.3%
Non-metro city or town	34.7%	23.1%	37.4%	26.1%	27.1%
Rural area	22.5%	32.1%	22.8%	26.1%	31.5%

# The *Science* of Financial Success

- Households are in an ever-changing political, social, and economic environment, causing them to constantly need to deal with factors within and beyond their control - which will often impact their finances.
- Households must identify and understand the factors within their control, and those they don't have any control over.

## EXTERNAL FACTORS BEYOND THE CONTROL OF THE HOUSEHOLDS

- Financial exclusion, COVID-19 and the lockdown
- International and domestic politics and economic performance
- Structure of the employment economy
- Uncertain international and domestic political and economic events and decisions.

## FACTORS WITHIN CONTROL OF THE HOUSEHOLDS



### IMPACT

- If activities are successful and outputs increase, financial wellness and success should 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 goals - 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



### INPUTS

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

- If a household has highly skilled members (human capital) who are socially empowered (social capital) (the input layer) and are actively conducting financial activities such as detailed and continuous financial planning, good debt management and staying informed on financial matters, such households, will be in a good position to produce favourable outputs in the form of income and wealth generation, which will improve living conditions (physical, asset and environmental capital). Such households tend to be more financially well and will progress on their journey towards financial success.

# Pledge

I pledge my commitment to become financially successful based on my own personal financial goals. I understand that the path is as unique as I am, so it is up to me to see my dreams, goals and aspirations become a reality. I know that financial success is not something others can give me, nor is it something that the government or the economy can guarantee to provide me. I trust myself, my innate potential to succeed and the momentum I have built to achieve the financial success I envision for myself. I hereby pledge to embrace my journey with all its challenges and victories.

I am *committed* to stay true to my course as:



I am committed to **educating myself about personal finance, investing, and wealth** for the rest of my life



I am committed to fully **understanding** my finances



I pledge to **live within my means** and save for my future self



I pledge to know the **difference between my short-term** as well as **long-term needs** and wants



I pledge to take equal pleasure in **saving** as I do in spending



I pledge to **value anticipation** over instant gratification



I pledge to define myself by **who I am**, not what I have



I pledge to **align my spending with my values, vision and goals**

**Every thought I think**, every word I speak, and every action I take from this day forward will reflect my commitment to this journey, which will lead to peace, fulfillment, empowerment, and financial security.

Signed \_\_\_\_\_

Date \_\_\_\_\_