

Fostering a culture of saving



As experts at financial planning and on money matters, financial advisors have a responsibility to help foster a culture of saving in the highly under-saved market of South Africa.

“With National Savings Month again highlighting the poor savings record among consumers, financial advisers need to alert clients to the benefits of regularly setting aside money and assist them to make the right choices that will help build their financial future,” says Ian Middleton, managing director of Masthead.

Experience of the recent recession, during which many consumers re-evaluated their budgets and cut back on expenditure, may see clients more willing to heed such advice.

Saving vs investing

Clients need to understand the difference between saving and investing. Saving is setting aside money for use in an emergency – to cover unexpected expenses such as replacing large household appliances, car repairs and medical expenses, or to tide

one over following a job loss. While the money must earn some return, it must be absolutely safe and easy to access when it is needed.

On the other hand, investing means putting money to work to earn more money. “There is always some risk involved in investing. However, this longer-term saving is essential for a financially sound retirement, home loan deposit, vehicle, education, luxury item or well deserved holiday,” explains Middleton.

Both saving and investing are important for the consumer, yet clients are likely to neglect saving when income is low and prices are high. “For regular, planned saving, clients need to appreciate the value of saving and understand that it requires sacrifice now but offers an expectation of greater satisfaction in the future,” says Middleton.

How much income goes into savings depends on income, goals, responsibilities, needs, habits, interests and family size. However, he suggests five to 10% of the client’s take-home pay is a good start. If families are already saving, they should look to increase this amount to around 15%.

Savings for brokers

While saving and investing is important for the client, financial advisers should also evaluate their situation. “Masthead can unlock significant savings for independent brokers and their practices,” says Middleton.

“Our entire philosophy is centred on supporting the independent broker, so our service offering, preferential rates from suppliers and online tools, calculators and information are designed to save our members time, money and hassle.”

Excellent results

Masthead member Koos Linde has experienced significant savings of time and money through a full practice management intervention in his business. “Masthead’s practice management consultant successfully segmented our client base,” says Linde. “The consultant also evaluated our IT applications and we implemented everything according to their recommendations.” These actions yielded excellent results.

Another Masthead member, Inbin Moodley, says Masthead’s processes and work behind the scenes have saved him time and a great deal of worry. Moodley also highly values Masthead’s group life cover, with its all-encompassing benefits for members and their staff at highly attractive rates.

“Time is a scarce resource and I wanted to free myself from meeting with broker consultants from the different product provider houses,” says Moodley. “Currently I see a member consultant and one consultant from my preferred product provider. From an investment perspective, Masthead is helping to build my practice,” says Moodley. “By helping build equity in my practice, I will have a valuable asset at retirement.”

To invest in your future and find out how you and your practice can save, please contact your Masthead consultant, or visit www.masthead.co.za.

