By Jolly Mokorosi

INVESTMENT

My helper schooled me

We should reassess how we view risk in terms of our own academic matrices and what risk means to the members of the retirement funds we serve.

More than two decades into our democracy and it appears that the savings culture for the bulk of South Africans defies academic ideals for a nation of our size and income. There has been no shortage of ideas and initiatives to change the narrative, but poverty persists with nearly half of adult South Africans living in poverty before the Covid-19 pandemic struck. This reality continues to undermine our greatest efforts to move the needle that would see South Africa leap into true emerging market and middle-income country status.

Having studied economics and later specialising in matters related to retirement funds, their members and consumer financial education, I thought of myself to be well-versed in these issues. However, I soon uncovered the gaps in my understanding, and it was ultimately my helper, Nomsa, who schooled me. In many of my earlier conversations with her regarding budgeting and savings I had failed to account for what constitutes risks and in particular investment risk for her.

I soon realised that the traditional risk matrices I tried to apply simply cannot and do not account for the questions that plague Nomsa's mind above anything else:

- What if my children and I are kicked out of our home because my husband no longer sees me as fit to be his wife?
- What does it mean for my children if I die and they become homeless?
- Will my children finish school and find decent jobs?
- Do I even dare to dream of them attaining a tertiary education?
- What will become of my parents if all their children predecease them?

One needs only glance at the Child Poverty in South Africa report, released by Statistics SA, to see what keeps Nomsa up at night (see sidebar).

As I reflect on these statistics, I quickly realise that all of this means that whilst my ideal for Nomsa is to have a savings account with a buffer for a rainy day; basic medical aid and some sort of long-term savings; however, through her eyes there is little value in these funds languishing in a long-term investment account or insuring her health when the most important questions that plague her mind remain woefully unanswered. This has made me seriously reassess what I view as risk in the context of her demographic, which is one that makes up the majority of South Africans.

What I perceive should be Nomsa's great risks are entirely trumped by the fundaments of Maslow's hierarchy of needs: a theory that emphasises how humans intrinsically partake in behavioural motivation will supersede academic logic on most days. Risk therefore means something far more fundamental to her. Nomsa and I decided that the real risk management was to address the concerns around her basic needs. We put a plan in place to secure Nomsa's long-term requirements for shelter and considered her need for short-term immediate savings and the potential for the generation of additional income from these properties.

Those of us who work in the financial world, whether trustees or financial services advisers, genuinely need to reassess how we tend to rigidly view risk in terms of our own academic matrices and reassess what risk truly means to the members of the retirement funds we serve, whilst balancing the complex needs of the future with those of the present. We don't need to go far at all to find these views out, we just need to listen to those who support many of us in our very homes. ■

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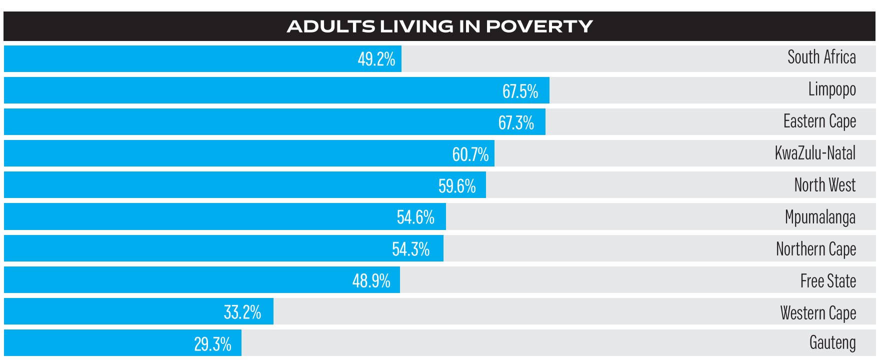
CHILD POVERTY IN SOUTH AFRICA

The findings in Stats SA's latest Child Poverty report are frightening:

- More than six out of ten children (62.1%) are identified as multidimensionally poor.
- Child poverty in South Africa is multi-sectoral, with the majority of children (0-17 years) suffering from multiple deprivations simultaneously.
- Black African children (68.3%) show the highest percentage of multidimensional poverty as compared to their peers from other population groups.
- Multidimensional poverty is highly prevalent amongst double orphans (77.3%) and paternal orphans (75%) as opposed to non-orphans and maternal orphans.
- More than twice as many children living in rural areas (88.4%) face multidimensional poverty compared to children in urban areas (41.3%). The highest multidimensional poverty rates are found among children residing in Limpopo (82.8%) and the Eastern Cape (78.7%). Gauteng and the Western Cape, on the other hand, are best off with respectively 33.6% and 37.1% of children being multidimensionally poor.
- Those living in non-metropolitan municipalities (73.7%) indicate much higher multidimensional poverty rates than children in metropolitan municipalities (39.6%). ■



SOURCE: Men, women, and children: Findings of the Living Conditions Survey 2014/15