Purposeful collaboration towards Financial Wellness in South Africa

Momentum/Unisa

South African Household

Financial Wellness Index

2013

Introduction

Financial Wellness of households plays a pivotal role in improving the health and resilience of an economy and vice versa. For this reason Momentum and Unisa in 2011 decided to measure the state of household financial wellness in South Africa via an annual household financial wellness survey.

The state of households' financial wellness is dependent on a number of factors, not least the environment within which they have to function. For household financial wellness to improve, such environment should be enabling – an environment that allows them to take responsibility for themselves, to trust each other and value the broader system within which they function.

In 2013 the South African environment was not optimal for an improvement in households' financial wellness. On the macroeconomic front, the economy continued to disappoint. The international economy struggled somewhat, eventually registering a substandard growth rate of only 3%. However, South Africa's real economic growth underperformed even more, slowing further to 1.9% in 2013 from a very moderate 2.5% in 2012. Insufficient infrastructure such as electricity generation prevented the economy from producing more. This hampered job creation and contributed to an environment for the expanded number of unemployed to exceed 8 million as the expanded unemployment rate remained above 35% in 2013. Households were confronted with rising prices as the consumer price inflation rate briefly exceeded 6% thereby eroding the purchasing power of households' income, while their arrears with debt repayments exceeded R100 billion.

The year was also characterised by a number of protests that had a negative influence on the macro- and microeconomic environments. Protests such as labour strikes, especially in the manufacturing sector, public demonstrations against sub-standard municipal service delivery and resistance to the e-tolling system in Gauteng subtracted from both economic and job growth and also added pressure on consumer prices to increase. Some protest action was also focused on substandard housing provided by government, whilst housing backlogs persisted. Nevertheless, an increasing number of households benefitted from formal structure housing, thus improving their living conditions. Collectively however, 2013 was another year characterised by an environment of non-cohesion and distrust, making it difficult for households to take responsibility for their financial wellness.

Against this background it is hoped that this report will contribute towards a better understanding of the actions needed to improve the financial wellness of South African households. Although this report will only focus on the major findings obtained from the survey, a wealth of information is available for further exploration.

Financial Wellness of households plays a pivotal role in improving the health and resilience of an economy and vice versa.

Outline of this report

This report, the third of its kind, is aimed at providing information on the state of South African households' financial wellness. It starts with defining household financial wellness, how the state of household financial wellness is measured and how the measurements should be interpreted. This is followed by information on the household sample from which household financial wellness was calculated. As households' financial wellness is influenced by the environment within which they operate and vice versa, a discussion on the economic environment and performance in 2013 sets the scene for the next section, namely the results of the Momentum/Unisa South African Household Financial Wellness Index for 2013. Analysis identifying the causes of the change in household's financial wellness between 2012 and 2013 is followed by the distributional changes in household financial wellness it created. The distribution by income group of household financial wellness is then provided due to the important role it played in the state of households' financial wellness since 2011. This is followed by an additional and more in-depth analysis on the role played by households' assets, liabilities and net wealth in the process of becoming financially well or unwell in 2013. A section on the threats to financial wellness is followed by a concluding section also comprising some recommendations.

This report, the third of its kind, is aimed at providing information on the state of South African households' financial wellness.

Definition of financial wellness

Wellness can be defined as a multidimensional positive state characterised by a high quality of life and a sense of personal wellness, which also serve as the basis for defining household financial wellness. As not all households are equally financially well, they were categorised in four wellness groups according to the state of their financial wellness.

Anchored Unwell: Household is deeply rooted in a financially unwell position. Major outside assistance is required for improvement.

Drifting Unwell: Household is not entrenched in a financially unwell position, but remains in an unwell situation. Its financial situation is very unstable and adverse events and wrong decisions can easily change its position to *Anchored Unwell*. However, some opportunities are available to become *Drifting Well*.

Drifting Well: The household has more opportunities to improve its financial wellness. However, although its financial situation is not unwell, it also is not stable. Negative/positive changes will cause households to become either *Drifting Unwell*/*Anchored Well*.

Anchored Well: The household is financially well in the current political/economic/social climate. However, negative developments may cause the household to become *Drifting Unwell*.

Compiling the Momentum/Unisa South African Household Financial Wellness Index

Embedded in households are five types of capital that were measured to determine the state of their financial wellness. Put differently, the Household Financial Wellness Index comprises five subcomponents (the five capital types). They are Physical capital (Income and Expenditure), Asset capital (Assets, Liabilities, Net Wealth), Human capital (Education, Skills), Environmental capital (Dwelling type and location) and Social capital (Personal empowerment).

To derive an overall South African Household Financial Wellness Index score, a multiplicative approach was applied – where the final wellness result is the product of the interactiveness of the five types of household capital (in contrast to being an additive product). This integrated and interactive approach therefore allows for each type of capital to affect the others and therefore the ultimate state of financial wellness of a household.

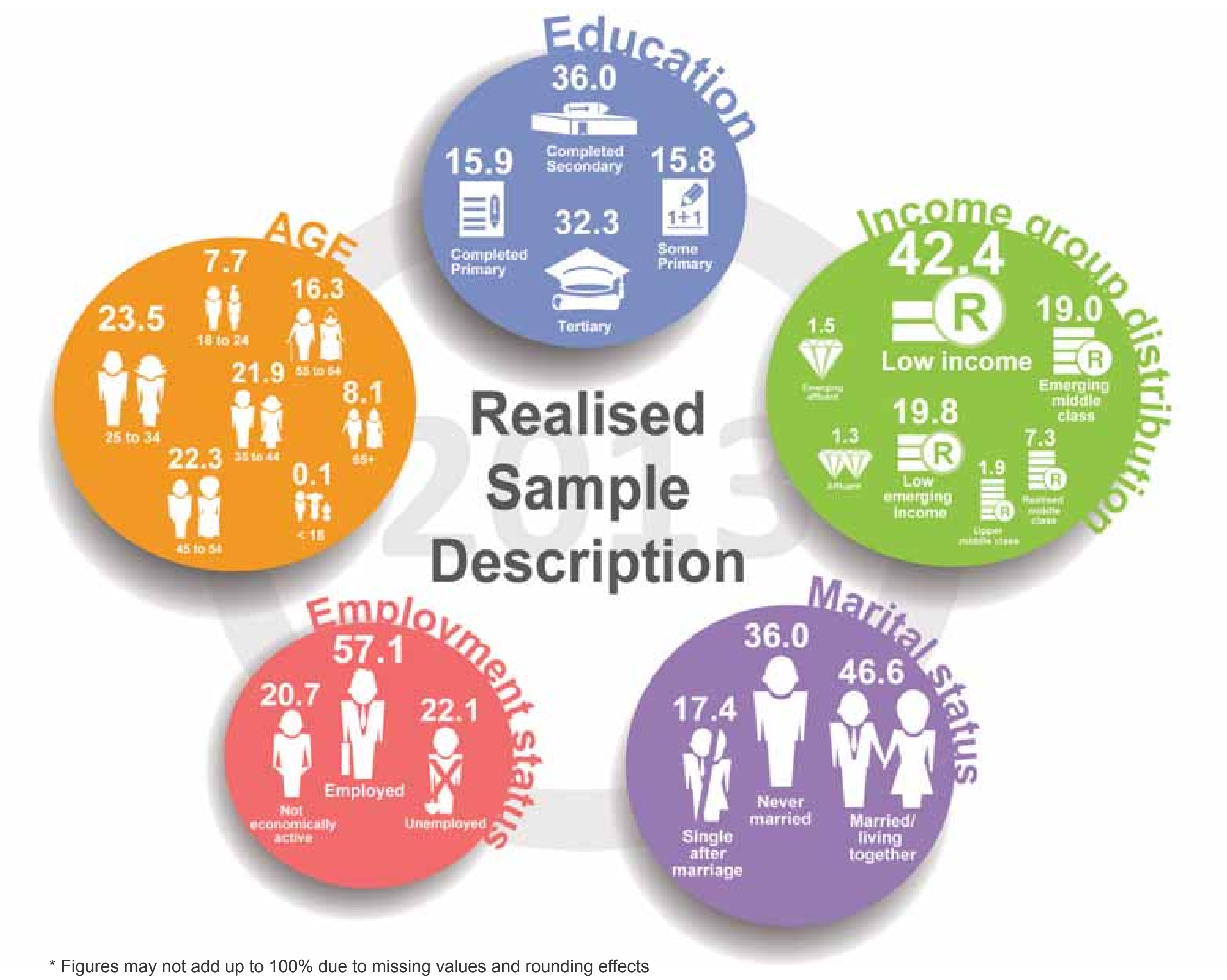
Households were categorised into the above-mentioned four groups according to the following scale based on the financial wellness scores they achieved.

Households we spoke to in 2013

During 2013 Momentum and the Personal Finance Research Unit (PFRU) – a joint venture between the College of Accounting Sciences and the Bureau of Market Research (BMR) at Unisa – conducted the third wave of a research project aimed at determining the financial wellness of South African households. Based on a nationally representative sample of 1 857 households the Momentum/Unisa South African Household Financial Wellness Index was constructed for 2013. This follows similar research conducted for 2011 and 2012, making it possible to track the financial wellness of households over time. Figure 1, supported by Annexure A, reflects the composition of the demographic features of the households that were interviewed.

Based on a nationally representative sample of 1 857 households

Figure 1



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Setting the scene for financial wellness in 2013: macroeconomic situation

Global economic growth moderated during 2013 as it was a year filled with economic uncertainties and volatility. Policy decisions by a number of international authorities affected currency movements and developments in the commodity, currency and financial markets, which in turn affected the real economy. Slower economic growth in major economies (such as Europe and China) during the first half of 2013, and the looming tapering of quantitative easing (QE3) in the United States of America had a larger than expected impact on especially the currency and equity markets. However, economic activity picked up markedly in advanced economies during the second half of 2013, contributing to an annual world economic growth rate of 3.0% for 2013, somewhat lower than the 3.2% registered in 2012. In developing economies economic growth was driven by higher exports due to improved international demand and weaker exchange rates, but was hampered by infrastructure constraints and country specific financial and political conditions. Due to lower commodity prices in especially food and fuels, lower inflation rates were recorded globally. Several economies in the euro area recorded troublesome inflation rates of close to or below zero, paired with declining but still high unemployment rates. However, although official unemployment rates declined in some of the major countries, a number of individuals became discouraged as they could not find employment and therefore exited the labour force.

The international economic conditions were not conducive to the domestic environment, impacting growth in production, employment and income levels. The authorities repeatedly throughout the year revised economic growth forecasts for South Africa downwards and the country registered a rather bleak economic growth rate of 1.9% in 2013, lower than the below average 2.5% of 2012. The local currency remained volatile during 2013 and depreciated against major currencies. Such depreciation contributed to higher import prices, which, in turn, added pressure on consumer price inflation to increase. Consumer price inflation remained within SARB's target range of 3%-6% for most of 2013, albeit close to the upper limit, briefly breaching this limit during Q3 2013. An average inflation rate of 5.7% was recorded for 2013 and as such further eroded households' purchasing power.

Domestic occurrences such as violent and prolonged labour strikes in especially the exporting mining and manufacturing sectors, infrastructure shortages (eg electricity supply disruptions), service delivery protests, resistance to the new e-tolling system implemented in Gauteng and stricter lending criteria implemented by banks contributed to the weaker economic growth performance during 2013 – and consequently subtracted from the potential income of both shareholders and employees. Nevertheless, employment increased by 653 000 during 2013 as Statistics South Africa estimated the total number of employed individuals at 15.2 million at the end of 2013 – a level last recorded before the global recession of 2008/09. However, despite the increase in employment, the official unemployment rate remained high at 24.1%.

Although the pace at which credit was extended to households decelerated during 2013, especially for unsecured credit, consumers' access to credit was also negatively affected by, among others, their relatively high level of indebtedness, which remained at an elevated level of 75.2% of disposable income in 2013. These factors, contributed to the pace of credit extended to households slowing from 9.8% in 2012 to 5.5% at the end of 2013. Credit growth was also hampered by households' deteriorating credit health situation. Statistics supplied by the National Credit Regulator showed that excluding mortgages, the value of other debt that was three months and more in arrears increased by 16.7% in 2013.

The combination of slowing income growth, increasing consumer price inflation, a slowdown in the uptake of consumer credit and an increase in impaired consumer debt contributed to households' cash flow situation remaining under pressure during 2013.

However, on the investment markets share prices increased due to, among others, higher earnings of companies deriving their profits from abroad, whilst bonds yielded weak returns. Share prices on foreign and local equity markets performed exceptionally well during 2013, with the JSE All Share Index increasing by 21.4%. This supported the value of households' assets, especially for those households invested in the share market, either directly or via retirement funds.

Household financial wellness: 2013

The state of South African households' financial wellness on average deteriorated for the second consecutive year. In real terms the Momentum/Unisa South African Household Financial Wellness Index declined further to 64.06 points in 2013 from 64.77 points in 2012 (see figure 2).

Figure 2
Momentum/Unisa South African Household Financial Wellness Index

The average household financial wellness score can be affected by a number of factors, including the changes in the five capital types, as well as the wellness group within which the household is categorised. The next sections aim to identify some of these factors.

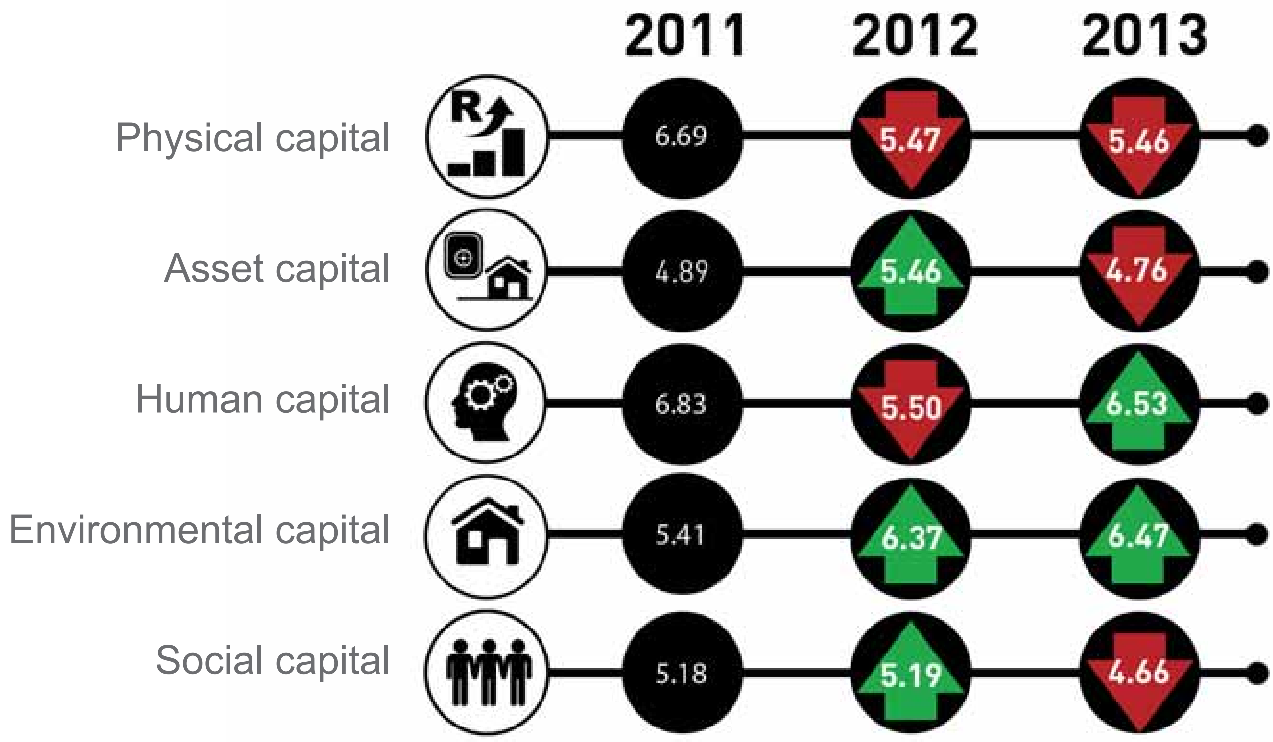
Identifying the capital types that affected household financial wellness

In terms of capital types, the deterioration in households' financial wellness was caused by average declines in three capital types. As can be seen in figure 3 below, these were:

- *Social capital* (empowered to take responsibility for own situation);
- *Physical capital* (household income); and
- *Asset capital* (household assets, liabilities and net wealth).

The average declines in these three types of capital more than offset the increases in the *Human capital* and *Environmental capital* types, contributing to the overall decline in average financial wellness.

Figure 3
Causes of the decline in financial wellness: Capital



It is important to note that of the three capital types that showed an average decline in 2013, only *Physical capital,* or household income, declined for the second consecutive year. This again confirms the important role household income plays in determining the state of households' financial wellness. Therefore a section of this report will be devoted to financial wellness according to income group.

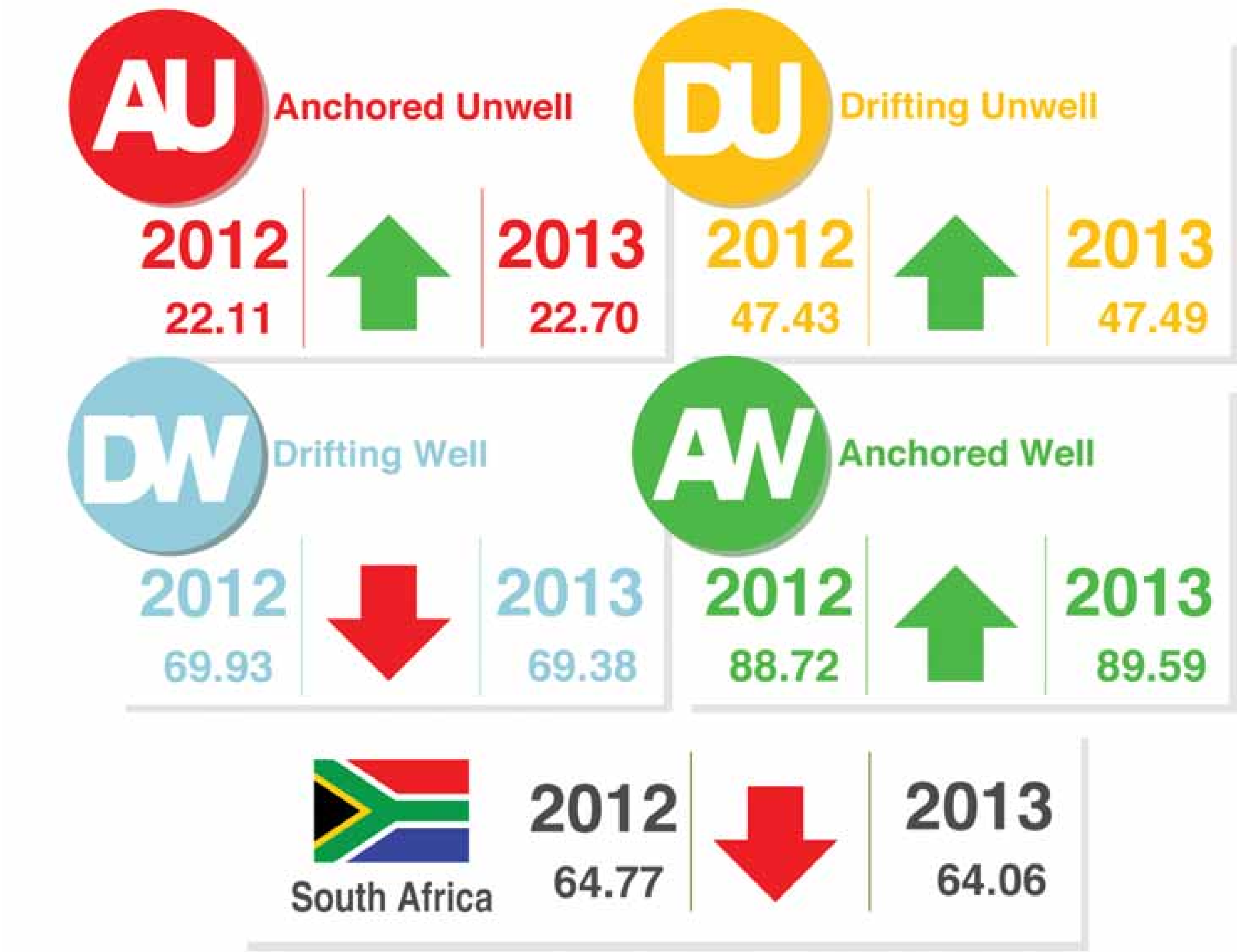
That said, and as was indicated in the section on the construction of the Household Financial Wellness Index, it should be kept in mind that household income (like the other capital types) is an interdependent capital type, meaning that it is affected by the other capital types and also affects the other capital types.

More detail regarding the movement per capital class per financial wellness group is provided in Annexure B.

Identifying the wellness group(s) that affected household financial wellness

Following from the previous analysis in which the three capital types (Social capital, Physical capital and Asset capital) that contributed to the decline in the state of household financial wellness were identified, this section identifies the Wellness groups that contributed to the decline in the average household financial wellness between 2012 and 2013 as illustrated below (for more detail refer to Annexure C). This will enable a further narrowing of the main causes of the decline in households' state of financial wellness.

Figure 4



Analysis of the contributors to the decline in the average state of Social capital showed a decline in the scores of the:

- *Anchored Unwell*;
- *Drifting Unwell*; and
- *Drifting Well* groups.

The average state of households' Physical capital was negatively affected by the:

- *Drifting Unwell*; and
- *Drifting Well* groups.

Households' balance sheet or their state of Asset capital, on average declined due to lower scores registered by the:

- *Drifting Unwell*;
- *Drifting Well*; and
- *Anchored Well* groups.

Although the *Drifting Unwell* and *Drifting Well* groups are the common denominators in the average state of decline in the above three capital types, the main cause for the deterioration in the financial wellness of households can be found in the financial wellness of the *Drifting Well* group.

The average financial wellness of the *Anchored Unwell, Drifting Unwell* and *Anchored Well* groups increased, but it was outweighed by the deterioration in the wellness score of the *Drifting Well* to the extent that it caused the average financial wellness score for all households to have declined. As mentioned, this was caused by deterioration in their Social capital, Physical capital as well as their Asset capital.

Households in the *Drifting Well* group are also the only ones who on average experienced a decline in their Physical capital, or household income, for two consecutive years. Put differently, household income in the *Drifting Well* group played a major role in the average decline in the state of household wellness over the past two years.

However, the decline in the Asset capital of the *Anchored Well* also played a major role in the deteriorating state of South African households' financial wellness. In fact, apart from the *Anchored Unwell,* the state of Asset capital of the other three wellness groups deteriorated in 2013. Due to the major role this played in the weakening state of households' financial wellness, Asset capital will also be discussed in more detail later in this report.

Apart from the *Anchored Unwell,* the state of Asset capital of the other three wellness groups deteriorated in 2013

Distribution of household financial wellness by wellness category

The deterioration in the average financial wellness of households in 2013 compared to 2012 can be explored further via the change in the distribution of financial wellness by wellness category. The major change is due to the shift from being *Anchored Well* to becoming *Drifting Well* (figure 5).

The major change is due to the shift from being *Anchored Well* to becoming *Drifting Well*.

Figure 5

Distribution of financial wellness by wellness category

The proportion of households in the *Anchored Well* category declined further to 21.8% in 2013 from 26.4% in 2012 and 27.2% in 2011, while the *Drifting Well* category now comprise the majority of households with 39.8% of households.

Further analysis confirms the magnitude to which the proportion of households in the *Anchored Well* category is shrinking. When expressed per 1 000 households (as per figure 6) there was a net movement of 8 households from *Anchored Well* to *Drifting Well* between 2011 and 2012. However, between 2012 and 2013, there was a net movement of 46 households per 1 000 households from *Anchored Well* to *Drifting Well*.

Figure 6

Movement in proportion of households

	2011 to 2012	2012 to 2013
Anchored Unwell **AU**	2 less:to DU	11 more: from DU
Drifting Unwell **DU**	12 less: 11 to AU and 1 to DW	12 less: 2 from AU, but 14 to DW
Drifting well **DW**	9 more: 1 from DW and 8 AW	60 more: 14 from DU and 46 from AW
Anchored well **AW**	8 less: to DW	46 less: to DW

However, the proportion of households in the *Drifting Well* category is increasing from both sides. Apart from receiving households from the A*nchored Well*, more households from the *Drifting Unwell* category became *Drifting Well*. This means that the *Drifting Well* is host to an increasing number of households whose financial wellness is on either a deteriorating path, or unstable and on a recovery path.

The good news is that the proportion of financially unwell households is shrinking.

Against this background the above distributional analysis can be summarised as follows:

- The good news is that the proportion of financially unwell households (*Anchored Unwell* and *Drifting Unwell*) is shrinking. Whereas 39.9% of households were financially unwell in 2011 this has decreased to 38.4% in 2013.
- This therefore means that the proportion of households in the two financially well categories (*Drifting Well* and A*nchored Well*) increased from 60.1% in 2011 to 61.6% in 2013.
- However, and disconcertingly, a ceiling appears to have emerged at the point of becoming *Drifting Well*. Opposed to moving from *Drifting Well* to A*nchored Well*, households on average are moving in the wrong direction – from *Anchored Well* to *Drifting Well*. The latter movement will be explored further in the section on households' Asset capital.

Household financial wellness villages

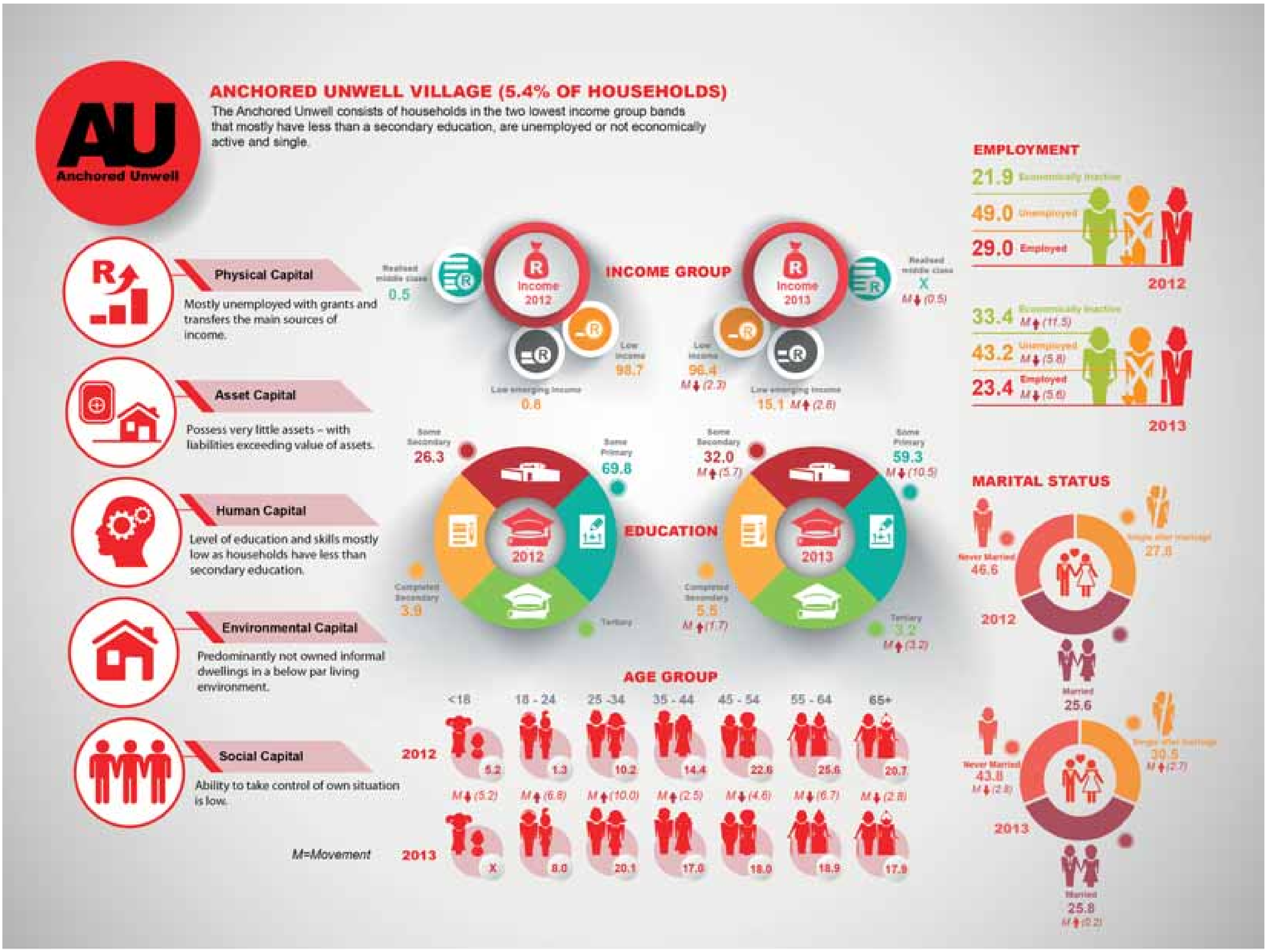
The composition of each financial wellness category in terms of its demographic features provides information on the profile these households. By classifying them into a village of a 100 households provides a picture of their proportional composition by income group, age group, education and employment and marital status.

Anchored Unwell Village (5.4% of households)

The *Anchored Unwell* consists of households in the two lowest income group bands that mostly have less than a secondary education, are unemployed or not economically active and single. Refer to Annexure D for more details.

Figure 7

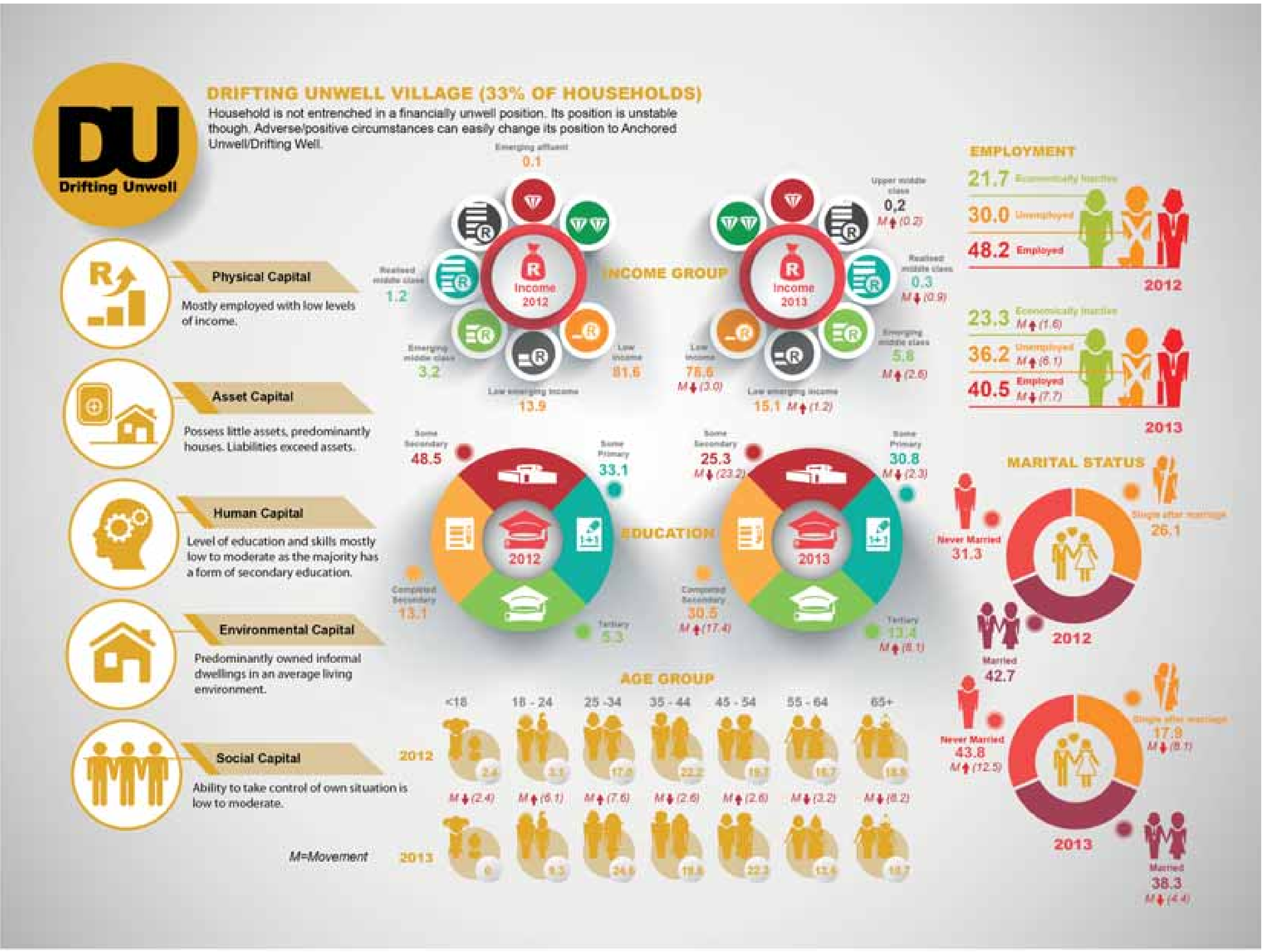
Anchored Unwell Village



Drifting Unwell Village (33% of households)

Although the majority (93.7%) of the *Drifting Unwell* households find themselves in the two lowest income groups, some 6.3% of them earn between R160 893 and R907 676 per annum. A very large percentage completed their secondary education between 2012 and 2013, while 13.4% of them have a tertiary qualification. A large proportion lost their jobs between 2012 and 2013, while more than 60% are single. Refer to Annexure D for more details.

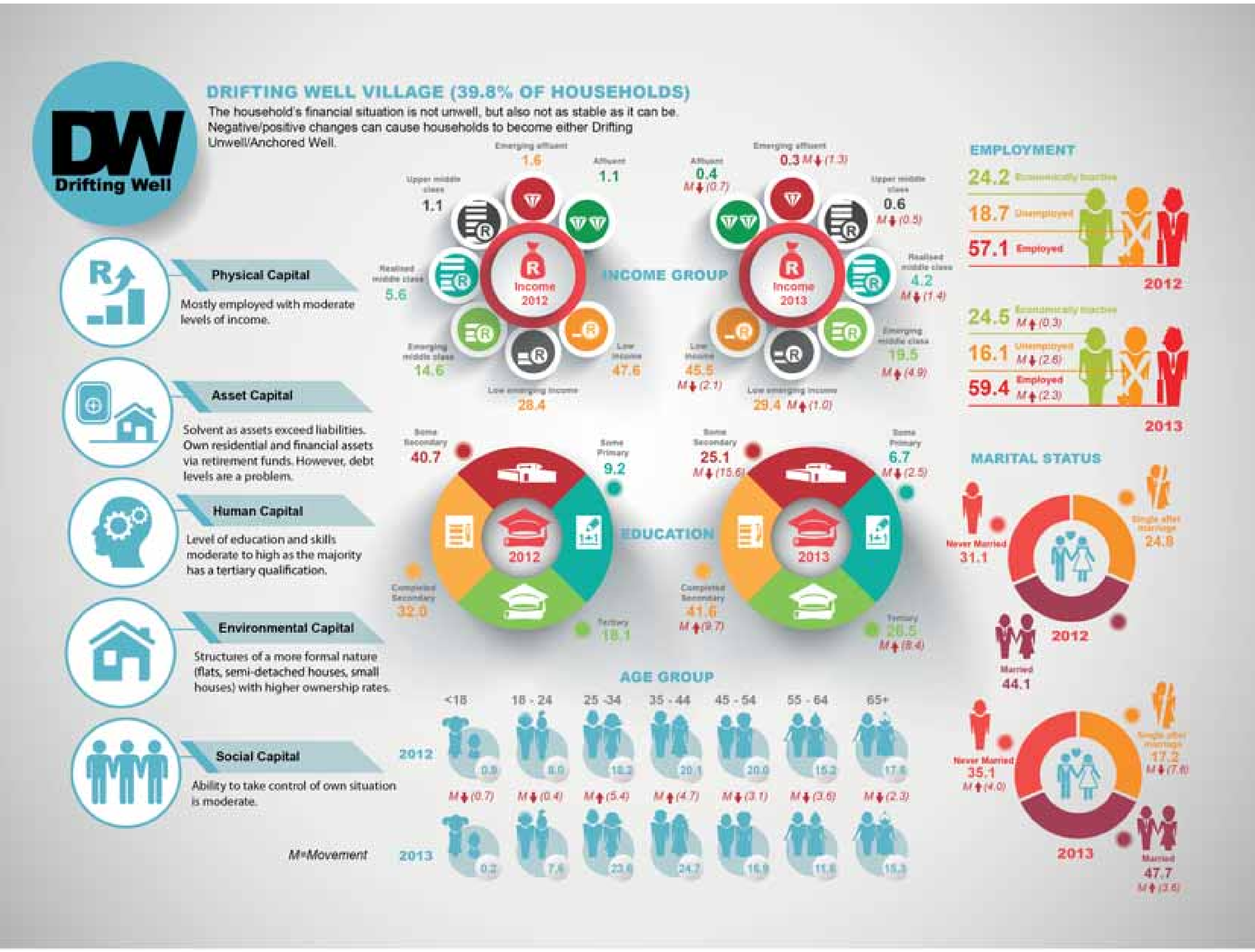
Figure 8
Drifting Unwell Village



Drifting Well Village (39.8% of households)

Although 74.9% of households emanate from the two lower income groups, this group also comprises households from all the income groups. Some 68.1% have completed secondary education or higher. Almost 60% are employed and almost half are married. Refer to Annexure D for more details.

Figure 9
Drifting Well Village

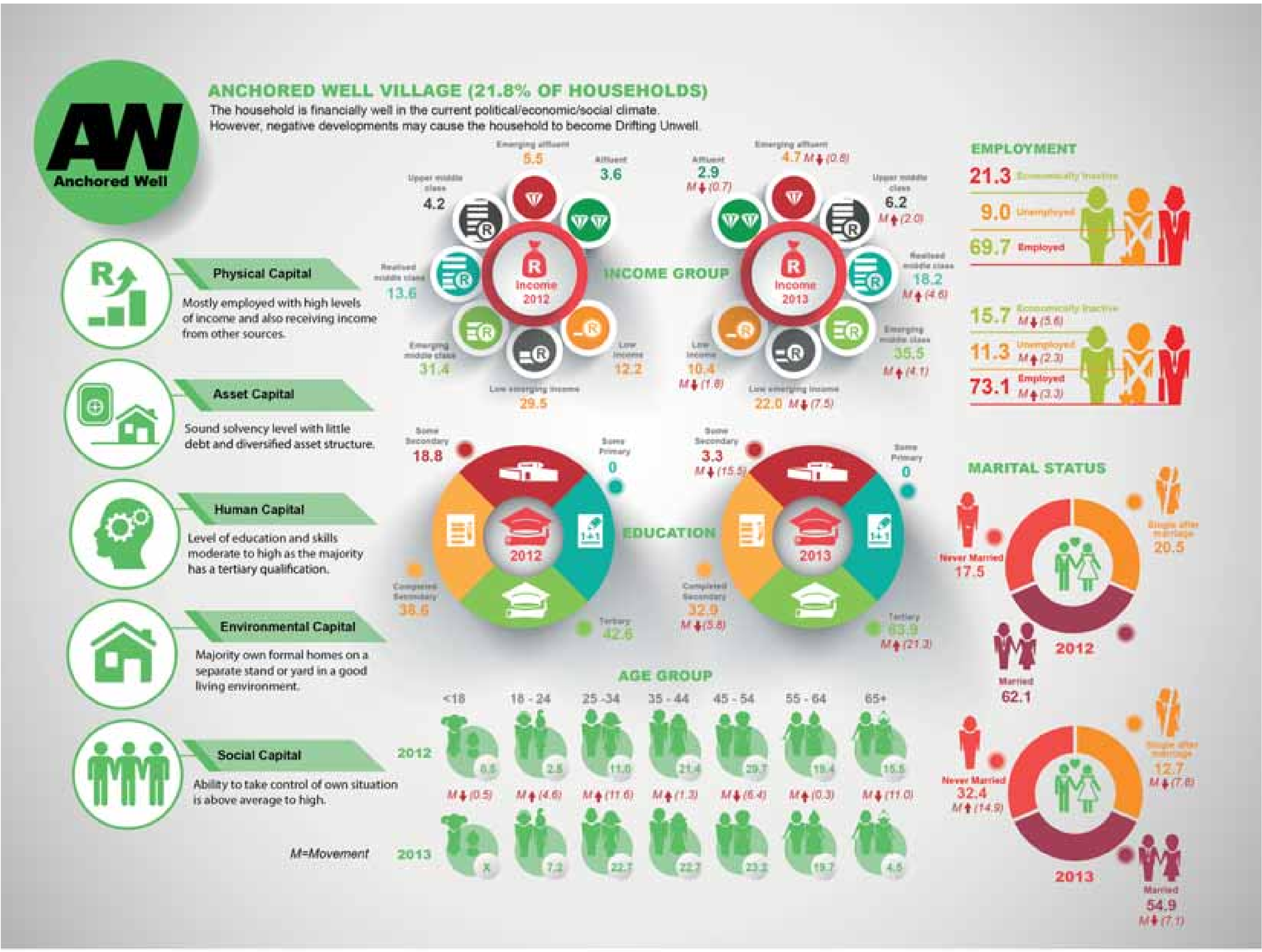


Anchored Well Village (21.8% of households)

Almost 70% of households in this village fall in the middle to very high income groups indicating the role played by income in becoming A*nchored Well*. Their age is evenly distributed in the three age categories between 25 and 54 years. Some 96.8% have a completed secondary or higher education, with 63.9% having a tertiary education. Some 73.1% are employed (up from 2012), while almost 55% are married (down from 2012). Refer to Annexure D for more details.

Figure 10

Anchored Well Village



Household financial wellness by income group

Analysis documented in the previous household financial wellness reports showed the importance of income on the journey to Financial Wellness. This was again confirmed by the 2013 results as reflected in figure 11. More than 80% of the affluent (income of R1 396 337 and higher per annum) are in the *Anchored Well* category and the remaining almost 20% in the *Drifting Well* category. The same magnitudes apply to the emerging affluent category where almost 90% of these households are considered to be A*nchored Well*. Contrastingly, more than 58% of households in the low income group are financially unwell.

58% of households in the low income group are financially unwell.

Figure 11

Income group	Anchored Unwell AU	Drifting Unwell DU	Drifting well DW	Anchored well AW
Low income	9.97%	48.39%	36.81%	4.83%
Low emerging income	0.86%	21.29%	54.48%	23.37%
Emerging middle class	-	9.95%	44.10%	45.95%
Realised middle class	-	1.35%	28.42%	70.23%
Upper middle class	-	3.65%	13.10%	83.25%
Emerging affluent	-	-	10.12%	89.88%
Affluent	-	-	19.57%	80.43%

However, although households in the higher income groups are mostly A*nchored Well*, they are not many when expressed as a proportion of all households. Only 0.8% of households are considered to be affluent, while respectively 1.2% and 1.7% fall in the emerging affluent and upper middle class categories.In addition, the affluent and emerging affluent households declined as a proportion of all households. Whereas they comprised 3.4% of households in 2012, this declined to 2% in 2013. Thus, although between 80% and 90% of the affluent and emerging affluent are A*nchored Well*, these two income groups comprise only 2% of all households as shown in figure 12.

Figure 12

Percentage of households		
Income group	2012	2013
Low income	52.5	50.2
Low emerging income	22.3	21.9
Emerging middle class	14.3	18.0
Realised middle class	6.0	6.0
Upper middle class	1.5	1.7
Emerging affluent	2.0	1.2
Affluent	1.4	0.8
Total	100.0	100.0

* Figures may not add up to 100% due to missing values and rounding effects

In accordance with figure 6, figure 12 shows a downward net movement between income groups. Comparison of the distribution of income groups between 2012 and 2013 shows that a number of the two lower income group households moved upwards into the Emerging middle class. However, the net movement from the Affluent and Emerging affluent was down to the Upper middle class, while the Upper middle class also lost households down to the Realised middle class.

The state of households' asset capital and their financial wellness

In the previous sections a decline in the Asset Capital score was identified as one of the reasons for the decline in the state of households' financial wellness. However, statistics published by the South African Reserve Bank show that the value of households' assets and net wealth increased in 2013. This points to an anomaly, although this phenomenon can by and large be explained by distributional statistics.

According to the South African Reserve Bank, the value of household assets increased by 13.1% to R9 282 billion in 2013 and that of liabilities by 4.7% to R1 572 billion (figure 13). Bearing in mind that the value of household assets was 5.9 times that of household liabilities in 2013 (up from 5.5 times in 2012), this means that the value of household net wealth increased by 15% in 2013.

However, households' Asset capital score declined from 5.46 in 2012 to 4.76 in 2013 – despite the increase in the value of households' assets and net wealth. As mentioned before, the Asset capital scores of the *Drifting Unwell*, *Drifting Well* and *Anchored Well* declined in 2013, although the score of the *Anchored Well* was still very high. Analysis of the growth in the value of assets and liabilities and ownership of the type of assets and liabilities should explain the perceived anomaly.

Figure 13

South African Households' Balance Sheets: 2012 - 2013

South Africa	**2012**		**2013**	
	R (billion)	**% of total**	**R (billion)**	**% of total**
Total non-financial assets	2 636	32.1%	2 821	30.4%
Property	1 813	22.1%	1 982	21.4%
Durable goods	823	10.0%	839	9.0%
Total financial assets	5 568	67.9%	6 461	69.6%
Pension funds and long-term insurers	2 972	36.2%	3 439	37.0%
Other financial assets	1 898	23.1%	2 255	24.3%
Cash and cash equivalents	698	8.5%	767	8.3%
TOTAL ASSETS	8 204	100.0%	9 282	100.0%
TOTAL LIABILITIES	1 502	100.0%	1 572	100.0%
Mortgages	812	54.0%	830	52.8%
Other debt	690	45.9%	742	47.2%
NET WEALTH	6 702		7 710	

Source: South African Reserve Bank Quarterly Bulletins: Various; PFRU own calculations.

Before turning to the distributional statistics, the anomaly can partly be explained by households' surrenders of policies that increased sharply in 2013 to R179.8 billion. This increase of 26.1% has the proverbial double-edged sword effect. Although it increased households' income (equal to 10.6% of disposable income in 2013), or Physical capital, it impacted negatively on their Asset capital as it reduced their financial asset and net wealth values. This is one of the reasons for the decline in the Asset capital of households.

From the above balance sheet it is clear that the increase in household financial assets outpaced the increases in the other types of assets (and the increase could have been more had it not been for the sharp increase in surrenders). The value of financial assets increased by 16%, that of property by 9.3% and that of durable goods by 1.9%. Therefore, clearly, holders of financial assets should have gained more than households with residential property as their main asset. Figures 14 and 15 show that the *Anchored Well* and *Drifting Well* increased their financial assets proportionally to non-financial assets between 2012 and 2013 – which should have increased their asset value in 2013. For instance, the *Anchored Wells'* financial asset holdings increased as a proportion of their total assets. While their financial assets comprised 69.7% of their total assets (48.52% of 69.61% in figure 14) in 2012, it increased to 74.1% (53.55% of 72.27% in figure 15) in 2013.

Figure 14

2012

	South Africa	Anchored Unwell AU	Drifting Unwell DU	Drifting well DW	Anchored well AW
Total non-financial assets	32.13%	0.09%	2.54%	8.41%	21.09%
Property	22.10%	0.05%	1.23%	5.61%	15.21%
Durable goods	10.03%	0.04%	1.31%	2.80%	5.88%
Total financial assets	67.87%	0.04%	4.46%	14.86%	48.52%
Pension funds and long term insurers	36.23%	0.00%	0.36%	5.40%	30.47%
Other financial assets	23.14%	0.04%	3.40%	6.14%	13.55%
Cash and cash equivalents	8.51%	0.01%	0.70%	3.32%	4.49%
TOTAL ASSETS	100.00%	0.13%	7.00%	23.27%	69.61%

Figure 15

2013

	South Africa	Anchored Unwell AU	Drifting Unwell DU	Drifting well DW	Anchored well AW
Total non-financial assets	30.39%	0.14%	2.69%	8.58%	18.72%
Property	21.35%	0.11%	1.77%	6.47%	13.01%
Durable goods	9.04%	0.03%	1.19%	2.11%	5.71%
Total financial assets	69.61%	0.01%	0.34%	15.71%	53.55%
Pension funds and long term insurers	37.05%	0.00%	0.20%	9.70%	27.15%
Other financial assets	24.29%	0.00%	0.02%	5.16%	19.11%
Cash and cash equivalents	8.26%	0.01%	0.12%	0.85%	7.29%
TOTAL ASSETS	100.00%	0.15%	3.30%	24.29%	72.27%

* Figures may not add up to 100% due to missing values and rounding effects

However, the A*nchored Well*s' cash holdings, which yielded a below inflation return, also increased. Cash comprised 10.09% of total assets in 2013 compared to 6.45% in 2012. In addition, the majority of the *Anchored Well* households' financial assets are in the hands of a small portion of households, namely the Affluent, Emerging affluent and Upper middle class households. This means that a larger portion of the financial assets were shared by a smaller proportion of households, also explaining the decline in the Asset capital score. Lastly, although the growth in the value of household assets increased in 2013, the growth was substantially smaller than in 2012, confirming the somewhat lower (but still high) Asset capital score of the A*nchored Well*.

The *Drifting Well*s' Asset capital score was affected by a number of factors. Many of the *Anchored Well* moved down to *Drifting Well*, thereby increasing this category's financial assets, especially contributions to retirement funds and therefore the Asset capital score. However, as figure 16 and 17 show, the main reason for their lower Asset capital score can be found in an increase in their liabilities – probably also as a result of the previously *Anchored Well* that moved down (as the A*nchored Well*'s proportion of debt decreased from 53.69% in 2012 to 39.23% in 2013). Total liability holdings of the *Drifting Well* as a proportion of all liabilities increased 14% from 32.72% in 2012 to 37.58% in 2013. Other debt, which includes expensive unsecured debt, increased by 16% causing them to have 17.30% of total other debt. Increasing debt at high interest rates also explains why the Physical capital of the *Drifting Well* is on a declining trend. It is not due to their income declining, but rather because it is not increasing sufficiently to cover both the impact of rising prices as well as an increasing debt load at high interest rates. It is probable that the sharp increase in surrenders will be from the *Drifting Well* group.

Figure 16

2012

	South Africa	Anchored Unwell AU	Drifting Unwell DU	Drifting well DW	Anchored well AW
Mortgages	54.06%	0.56%	3.89%	17.89%	31.73%
Other debt	45.94%	0.38%	8.75%	14.84%	21.97%
TOTAL LIABILITIES	100.00%	0.94%	12.64%	32.72%	53.70%

Figure 17

2013

	South Africa	Anchored Unwell AU	Drifting Unwell DU	Drifting well DW	Anchored well AW
Mortgages	52.80%	1.25%	11.11%	20.28%	20.16%
Other debt	47.20%	0.28%	10.54%	17.30%	19.07%
TOTAL LIABILITIES	100.00%	1.54%	21.65%	37.58%	39.23%

An increase in liabilities is also the main reason for the *Drifting Unwell*'s lower Asset capital score. Their liabilities as proportion of all household liabilities increased 71% in 2013 to 21.65%. More than 90% of the *Drifting Unwell* households fall in the lowest two income groups, also pointing towards the financial difficulty experienced by the low income groups.

However, further analysis captured in figure 18 below shows a marked difference between the asset and liability holdings per income group. For instance, at R10.1 million the average value of household assets of the affluent group exceeds their liabilities 23 times. It is also 1.93 times the asset value of R5.2 million of the emerging affluent. However, the average value of the emerging affluent households' assets exceeds their liabilities only 8.4 times. Combining these ratios show that the affluent households' average net wealth is more than twice (2.1 times) that of the emerging affluent households' net wealth.

The magnitude of inequality, however, is reflected when comparing the affluent households' balance sheet with that of the low income group. The affluent households' assets were 165 times more than those of the low income group. However, their liabilities were only 80.9 times more. This not only shows that proportionally to assets the low income group has more debt than the affluent households, but it also causes the affluent households' net wealth to exceed that of the low income group 172 times.

Figure 18

Per capita income and balance sheet values for each of the seven income groups

Income group	Per capita asset value	Per capita liabilties value	Per capita income value	Per capita net wealth (asset capital value)
	R	R	R	R
Low income	61 168	5 413	26 646	55 754
Low emerging income	289 620	39 712	98 657	258 907
Emerging middle class	943 910	216 942	256 112	726 968
Realised middle class	1 693 258	308 044	496 797	1 388 224
Upper middle class	3 836 196	292 797	738 496	3 543 399
Emerging affluent	5 225 502	632 606	1 038 212	4 615 921
Affluent	10 111 330	438 309	5 126 996	9 673 020
South Africa	583 935	85 113	180 020	498 895

This analysis clearly showed that for households to become financially well, ownership of financial assets will assist on the journey. However, it is also clear that too many liabilities, especially very expensive unsecured debt and credit card facilities (high interest rates and other costs) can cause even *Anchored Well* households with financial assets, to become *Drifting Well*.

Financial threats the wellness villagers face on their financial wellness journey

On the journey towards financial wellness, households are confronted by a number of threats that if not dealt with appropriately, will negatively affect their financial wellness. Based on the characteristics of the villages described above, some of the potential threats will be rated according to the relevance to the specific village on the following basis:

Low	The impact of the specific threat is *low* for relevant wellness group / village.
Moderate	The impact of the specific threat is *moderate* for relevant wellness group / village.
High	The impact of the specific threat is *high* for relevant wellness group / village.

Interest rate borrowing threat

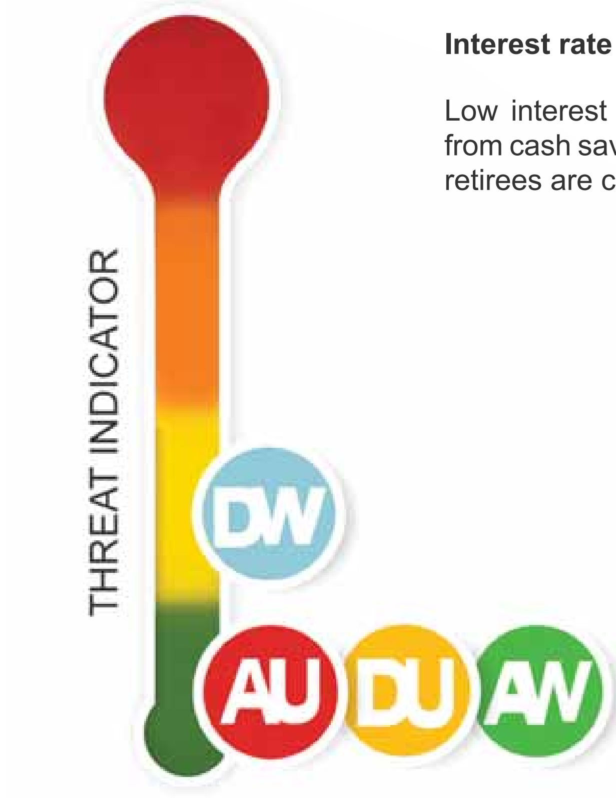
Higher interest rates will lead to higher debt servicing costs, especially on unsecured credit. Higher debt servicing costs reduce the amount available for spending and saving, thereby negatively affecting households' income statement and balance sheet.

	Anchored Unwell AU	Drifting Unwell DU	Drifting well DW	Anchored well AW
Debt to income ratio (%)*	185	145	67	38

* Weighted to actual numbers

As both the *Anchored Unwell* and *Drifting Unwell* financial wellness categories' debt to total income ratios exceed 100 (meaning that their total debt exceeds their annual income), both these categories' state of financial (un)wellness are at risk should interest rates increase. Although the *Anchored Unwell* households' Asset capital score improved, it happened from an even worse situation. They furthermore pose a risk to the overall wellness of the country as although they possess only 1.54% of all household debt, they comprise 5.4% of all households. Furthermore, they borrow at very high interest rates and are therefore prone to over-indebtedness. The *Drifting Unwell* comprises 33% of all households, but has 21.65% of all household liabilities. However, almost half the *Drifting Unwell* group's liabilities comprise the high interest rate bearing "other debt" category (mostly unsecured credit). They therefore have a high risk of default should interest rates increase. The dynamics of the *Drifting Well* and *Anchored Well* groups differ somewhat. While their debt to income ratios in most cases are at acceptable levels, they also have a high exposure to the more expensive "other debt" category that makes them somewhat vulnerable to interest rate increases.

Interest rate income threat



Low interest rates negatively affect income earned from cash savings and money market holdings. Many retirees are currently affected by this phenomenon.

The *Anchored Unwell* and *Drifting Unwell* categories have almost no funds (less than 1% of assets) invested in interest bearing instruments and are therefore virtually unaffected by low deposit rates. Households in the *Drifting Well* category have a fairly low amount invested in monetary instruments (3% of total assets and 5.4% of financial assets). Nevertheless, it is sufficient to make a reasonable proportion of households (who depend on this return as main source of income) vulnerable to low interest income. The risk to the *Anchored Well* is also low as a very small proportion of them is dependent on interest returns as a fundamental source of income.

Market returns threat

Market returns below the consumer price inflation rate reduce households' *Physical* and *Asset capital*. Poor equity market performances will negatively impact assets held in retirement funds and life policies, impacting retirement planning and income.

The *Anchored Unwell* and *Drifting Unwell* have very limited investments in the market and are therefore not directly exposed to declining markets. As 15% of the *Drifting Well* and almost 50% of the A*nchored Well*'s assets are invested in pension funds, life policies or direct investments on the JSE, poor market performances can have a very negative impact on the value of their retirement assets, life policies and other market-related investment products. However, they also benefit immensely when especially equity markets increase.

Employment income threat

This refers to the threat of becoming unemployed and losing a source of income in combination with low wage/salary growth at/below/just above the consumer price inflation rate, threatening the current standard of living.

Some 82% of the households in the *Anchored Unwell* category that are currently employed have at best some secondary education (not completed) and are therefore running a high risk of becoming unemployed if they do not acquire new skills. The strained macroeconomic environment is not succeeding in creating sufficient employment (to reduce the unemployment rate), while also requiring more skilled workers. Against this background it will be difficult for the *Anchored Unwell* and *Drifting Unwell* to remain employed in the long run. This risk declines slightly for the *Drifting Well* as 75% have completed their secondary education, or have some tertiary education. The *Anchored Well* are the least exposed to unemployment risk as almost 70% of them have some form of tertiary education – the challenge for them, however, is that they need the scarce and technical qualifications that are required by the market.

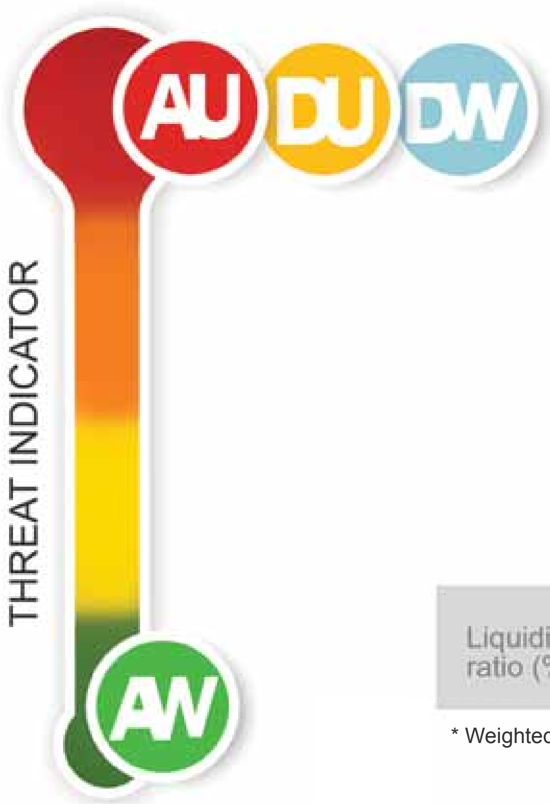
Solvency threat (Asset-to-Debt ratio)

The solvency ratio shows the debt burden of households in relation to their assets. This ratio assesses which households lack assets to cover their financial commitments. Furthermore, this ratio indicates which households may not have an adequate income flow to sufficiently service their spending and debts.

	Anchored Unwell AU	Drifting Unwell DU	Drifting well DW	Anchored well AW
Asset-to-debt ratio (%)*	0.56	0.90	3.82	10.88

* Weighted to actual numbers

The *Anchored Unwell* as well as the *Drifting Unwell*'s balance sheet position is in a severe state as they are basically insolvent with their liabilities exceeding their assets. Given their high unemployment risk, this is a situation that requires urgent attention and intervention. Sound financial education should also be introduced to assist these two groups to better manage their financial position. On the other end, the A*nchored Well*'s position is far better as their assets cover their debt almost 11 times.



Liquidity threat

The liquidity ratio indicates the duration the household can sustain its spending with liquid assets (cash) should they run into an unforeseen emergency. This is measured by the ratio of monetary assets to the household's monthly expenditure. Internationally the norm has been set as three months, meaning that households should have three months of cash available.

	Anchored Unwell AU	Drifting Unwell DU	Drifting well DW	Anchored well AW
Liquidity ratio (%) *	0.44	0.57	1.08	5.04

* Weighted to actual numbers

The *Anchored Well* group is the only group that should be able to sustain its spending should some unforeseen circumstances occur. The *Drifting Well* group will be able to hold out for just over a month at the most while the other two categories will be struggling to make ends meet from the outset.

Threat mediation – what can be done?

Anchored Unwell

Threats		What can be done
High	• Interest rate borrowing threat • Employment threat • Solvency threat • Liquidity threat	• Large scale retraining in skills relevant to the economy; • Participation in financial markets through specially designed financial products; • Enabling environment for purposes of large scale job creation; • Reconsider calculation of maximum interest rate policy to reduce monthly instalments; • Compulsory affordability tests before credit granting; • Shared debt relief; • Financial education.
Moderate		
Low	• Interest rate income threat • Market returns threat	

Threat mediation – what can be done? (continued)

Drifting Unwell

	Threats	What can be done
High	• Interest rate borrowing threat • Employment threat • Solvency threat • Liquidity threat	• Large scale retraining in skills relevant to the economy; • Participation in financial markets through specially designed financial products; • Enabling environment for purposes of large scale job creation; • Reconsider calculation of maximum interest rate policy to reduce monthly instalments; • Compulsory affordability tests before credit granting; • Shared debt relief; • Financial education.
Moderate		
Low	• Interest rate income threat • Market returns threat	

Drifting Well

	Threats	What can be done
High	• Market returns threat	• Compulsory participation in financial markets; • Diversification of investments; • Reconsider calculation of maximum interest rate policy to reduce monthly instalments; • Financial literacy education; • Continuous on the job training; • Enable and encourage entrepreneurship – make it as easy as possible to own and start a company.
Moderate	• Interest rate borrowing threat • Interest rate income threat • Employment threat	
Low	• Solvency threat • Liquidity threat	

Anchored Well

	Threats	What can be done
High	• Market returns threat	• Compulsory participation in financial markets; • Diversification of investments. • Relax foreign exchange controls for investments to facilitate larger participation in financial markets. • Reconsider calculation of maximum interest rate policy to reduce monthly instalments; • Continuous on the job training; • Enable and encourage entrepreneurship – make it as easy as possible to own and start a company.
Moderate	• Interest rate borrowing threat	
Low	• Interest rate income threat • Employment threat • Solvency threat • Liquidity threat	

Issues for further exploration

Not all households are equally financially well or unwell. Indeed, the analyses above have shown that while almost 40% of households were financially unwell in 2013, different levels of unwellness exist. Therefore, different policies, approaches and methods are needed to improve the wellness/unwellness levels of households.

It also appears that households in the wellness categories are hitting the proverbial wall after a specific threshold. Instead of households moving up from *Drifting Well* to A*nchored Well*, the net movement is from *Anchored Well* down to *Drifting Well*. To counter this downward movement, different policies, approaches and methods that are applicable to the unwell categories, are needed.

This means different solutions for different categories. A limited number of issues that may be explored further for purposes of improving the financial wellness of households, and thus the health and resilience of the economy, are discussed below.

One solution applicable to all households is an enabling macroeconomic environment suitable for entrepreneurship and job creation. Make it as easy (and not as burdensome) as possible to create a new company – in the same mould as in New Zealand and Singapore. One-stop centres - where all tax numbers, municipal clearances, and regulatory compliances can be obtained - to register a company within a day or two will ease the burden on small companies and incentivise entrepreneurship. Entrepreneurship is necessary for job creation and for earning an income, two of the most important factors on the road to financial wellness.

What has also become clear is that education and skills play an important role in differentiating between financially well and unwell households. However, improved education and skills do not mean anything if they cannot be applied. In conjunction with an enabling environment conducive to entrepreneurship, such skills can be utilised. Nevertheless, different types of education and skills development will be needed according to the needs of the households in the different wellness categories. Retraining in current and new fields using new technology will be needed for some, while better quality education will be the solution for others.

It is also evident that households with investments and those who participate in the financial markets generally are more financially well. Financial reform and financial product development that enable participation in financial market returns and also cover risks, should be considered in policy development. Participation in financial market returns should as far as possible be made compulsory. A clear need for (low cost/fee) products that provide above-inflation returns with limited downside risk was identified for non-participating and risk averse income groups. Such products can also assist in alleviating the liquidity threat some households are confronted with.

Unintended consequences of consumer credit and interest rate policies and legislation should be reviewed. As a result of the way maximum interest rates are calculated and prescribed, the *Anchored Unwell* and low income households pay disproportionately more in terms of debt servicing costs. This means that whenever the South African Reserve Bank increases interest rates to combat consumer price inflation, it hurts the poor disproportionately more, contributing to an increase in inequality.

Appropriate affordability tests, financial literacy education, as well as the correct credit product, among others, will contribute to the *Anchored Well* households not moving downward. Many households in the *Anchored Well* category were granted unsecured credit at very high interest rates that increased the pressure on their cash flow, eventually contributing to their financial wellness weakening. However, some of these households were living above their means, also contributing to their weakened state of financial wellness. Personal financial literacy may assist in alleviating this problem.

Concluding remarks

On average, the state of South African households' financial wellness declined further in 2013. Having weakened from 65.24 points in 2011 to 64.77 in 2012, the Momentum/Unisa South African Household Financial Wellness Index declined further to 64.06 points in 2013.

The index is the only of its kind in South Africa and also the only endeavour that recognises the interactive impact of variables such as income, wealth, education, housing and personal empowerment in determining households' long term state of financial wellness.

The further deterioration in households' financial wellness occurred at the backdrop of somewhat lacklustre international economic conditions. In addition, domestic events such as labour strikes and over-indebtedness of consumers, which negatively affected households' financial situation, caused the economy to perform well below its potential in 2013.

The index shows that, on average, households' Physical capital (net income situation), Asset capital (magnitude of assets, liabilities and net wealth) and Social capital (ability to take responsibility for own financial situation) declined to the extent that it caused the Momentum/Unisa South African Household Financial Wellness Index to decline. Although households in the other three categories experienced weaknesses in some of their embedded capital, it was especially the *Drifting Well* whose wellness caused the index to decline. The number of households in the *Drifting Well* category increased to comprise almost 40% of households in 2013 and was fed from the bottom as well as the top. Some *Drifting Unwell* households became *Drifting Well*, but disconcertingly, a number of *Anchored Well* households fell back into the *Drifting Well* category. An increase in the number of households with a better educational qualification as well as better housing improved a number of *Drifting Unwell* households' ability to improve their financial wellness to the extent that they moved into the *Drifting Well* category. However, exposure to expensive debt and comparatively less assets contributed to a number of *Anchored Well* households becoming *Drifting Well*.

These movements contributed to the *Drifting Well*, on average, to show deterioration in their Physical capital, Asset capital and Social capital. In sum, the survey showed that a lack of sufficient income (caused by a number of factors) is the major stumbling block preventing households from becoming more financially well.

Financial ratio analysis further shows that the *Anchored Unwell* and *Drifting Unwell* are insolvent as their debt exceeds their assets, while they are heavily indebted with their debt to income ratios ranging between 150% and 200%, much higher than the country average of 75.2% (the latter being the debt to disposable income ratio). As they do not have cash available, they also face a liquidity risk. Also, since they mostly have an education of less than completed secondary, they face the risk of becoming unemployed in a world economy demanding more skills. For these households to improve their financial wellness, major assistance from the outside is essential. Retraining, better quality education, as well as large scale participation in the financial markets will be necessary to alleviate their situation – while their dependency on expensive debt also needs to be addressed. However, for this to happen major changes will be necessary in, among others, South Africa's credit and financial services policy, while monetary policy needs to consider the impact of interest changes on the micro level (distributional spread of households' balance sheets). Failing to do so will cause inequality to increase further (as the current policies contribute to the financially unwell households subsidising the financially well households) – and therefore reduce the opportunity for the economy to become healthier and more resilient. At the same time such policy considerations will assist the *Drifting Well* and also reduce the chances of indebted *Anchored Well* households becoming *Drifting Well*.

ANNEXURE A
Realised sample description

Age	2013
<18	0.1
18 to 24	7.7
25 to 34	23.5
35 to 44	21.9
45 to 54	22.3
55 to 64	16.3
65+	8.1

Education	2013
Some primary	15.8
Completed primary	15.9
Completed secondary	36.0
Tertiary	32.3

Income group distribution	2013
Low Income (R1 - R58 093 pa)	42.4
Low emerging income (R58 094 - R160 892 pa)	19.8
Emerging middle class (R160 893 - R382 127 pa)	19.0
Realised middle class (R382 128 - R662 676 pa)	7.3
Upper middle class (R662 677 - R907 101 pa)	1.9
Emerging affluent (R907 102 - R1 396 336 pa)	1.5
Affluent (R1 396 337+ pa)	1.3

Marital status	2013
Never married	36.0
Married / living together	46.6
Single after marriage	17.4

Employment status	2013
Employed	57.1
Unemployed	22.1
Not economically active	20.7

ANNEXURE B

Contribution to financial wellness changes per capital class

SOCIAL CAPITAL	2011	2012		2013	
Anchored Unwell	1.63	2.44	↑	2.14	↓
Drifting Unwell	3.92	4.21	↑	3.44	↓
Drifting Well	5.18	5.27	↑	4.64	↓
Anchored Well	7.42	6.94	↓	7.15	↑

PHYSICAL CAPITAL	2011	2012		2013	
Anchored Unwell	3.86	1.85	↓	1.99	↑
Drifting Unwell	5.45	3.62	↓	3.62	↔
Drifting Well	7.01	5.93	↓	5.81	↓
Anchored Well	8.38	8.03	↓	8.46	↑

ASSET CAPITAL	2011	2012		2013	
Anchored Unwell	2.01	2.10	↑	2.30	↑
Drifting Unwell	2.65	3.72	↑	3.08	↓
Drifting Well	5.18	5.57	↑	4.91	↓
Anchored Well	7.95	8.28	↑	7.66	↓

HUMAN CAPITAL	2011	2012		2013	
Anchored Unwell	2.70	1.85	↓	2.48	↑
Drifting Unwell	6.19	3.63	↓	5.07	↑
Drifting Well	7.00	6.11	↓	7.06	↑
Anchored Well	8.12	7.92	↓	8.75	↑

ENVIRONMENTAL CAPITAL	2011	2012		2013	
Anchored Unwell	1.38	2.44	↑	1.82	↓
Drifting Unwell	2.55	4.48	↑	4.76	↑
Drifting Well	5.90	6.81	↑	7.13	↑
Anchored Well	9.23	9.08	↓	8.98	↓

ANNEXURE C

Contribution to financial wellness changes per wellness group

ANCHORED UNWELL	2012	2013	Direction
Social capital	2.44	2.14	↓
Physical capital	1.85	1.99	↑
Asset capital	2.10	2.30	↑
Human capital	1.85	2.48	↑
Environmental capital	2.44	1.82	↓
Financial Wellness	22.11	22.70	↑
DRIFTING UNWELL	**2012**	**2013**	**Direction**
Social capital	4.21	3.44	↓
Physical capital	3.62	3.62*	↓
Asset capital	3.72	3.08	↓
Human capital	3.63	5.07	↑
Environmental capital	4.48	4.76	↑
Financial Wellness	47.43	47.49	↑
DRIFTING WELL	**2012**	**2013**	**Direction**
Social capital	5.27	4.64	↓
Physical capital	5.93	5.81	↓
Asset capital	5.57	4.91	↓
Human capital	6.11	7.06	↑
Environmental capital	6.81	7.13	↑
Financial Wellness	69.93	69.38	↓
ANCHORED WELL	**2012**	**2013**	**Direction**
Social capital	6.94	7.15	↑
Physical capital	8.03	8.46	↑
Asset capital	8.28	7.66	↓
Human capital	9.08	8.98	↓
Environmental capital	7.92	8.75	↑
Financial Wellness	88.72	89.59	↑

* Change due to next decimal

ANNEXURE D

Financial Wellness Villages: distributions based on demographics

Anchored Unwell Village (5,4% of households)

Income group	2012	2013	Movement
Low Income (R1 - R58 093 pa)	98.7	96.4	(2.3)
Low emerging income (R58 094 - R160 892 pa)	0.8	3.6	2.8
Emerging middle class (R160 893 - R382 127 pa)	-	-	-
Realised middle class (R382 128 - R662 676 pa)	0.5	-	(0.5)
Upper middle class (R662 677 - R907 101 pa)	-	-	-
Emerging affluent (R907 102 - R1 396 336 pa)	-	-	-
Affluent (R1 396 337+ pa)	-	-	-
Total	100.0	100.0	-

Age group	2012	2013	Movement
<18	5.2	-	(5.2)
18 to 24	1.3	8.0	6.8
25 to 34	10.2	20.1	10.0
35 to 44	14.4	17.0	2.5
45 to 54	22.6	18.0	(4.6)
55 to 64	25.6	18.9	(6.7)
65+	20.7	17.9	(2.8)
Total	100.0	100.0	-

Education	2012	2013	Movement
Some primary	69.8	59.3	(10.5)
Some secondary	26.3	32.0	5.7
Completed secondary	3.9	5.5	1.7
Tertiary	-	3.2	3.2
Total	100.0	100.0	-

Employment	2012	2013	Movement
Employed	29.0	23.4	(5.6)
Unemployed	49.0	43.2	(5.8)
Economically inactive	21.9	33.4	11.5
Total	100.0	100.0	-

Marital status	2012	2013	Movement
Never married	46.6	43.8	(2.8)
Married	25.6	25.8	0.2
Single after marriage	27.8	30.5	2.7
Total	100.0	100.0	-

Scores may not add up to 100% due to rounding effects

ANNEXURE D (continued)

Drifting Unwell Village (33% of households)

Income group	2012	2013	Movement
Low Income (R1 - R58 093 pa)	81.6	78.6	(3.0)
Low emerging income (R58 094 - R160 892 pa)	13.9	15.1	1.2
Emerging middle class (R160 893 - R382 127 pa)	3.2	5.8	2.6
Realised middle class (R382 128 - R662 676 pa)	1.2	0.3	(0.9)
Upper middle class (R662 677 - R907 101 pa)	-	0.2	0.2
Emerging affluent (R907 102 - R1 396 336 pa)	0.1	-	(0.1)
Affluent (R1 396 337+ pa)	-	-	-
Total	100.0	100.0	-

Age group	2012	2013	Movement
<18	2.4	0	(2.4)
18 to 24	3.1	9.3	6.1
25 to 34	17.0	24.6	7.6
35 to 44	22.2	19.6	(2.6)
45 to 54	19.7	22.3	2.6
55 to 64	16.7	13.6	(3.2)
65+	18.9	10.7	(8.2)
Total	100.0	100.0	-

Education	2012	2013	Movement
Some primary	33.1	30.8	(2.3)
Some secondary	48.5	25.3	(23.2)
Completed secondary	13.1	30.5	17.4
Tertiary	5.3	13.4	8.1
Total	100.0	100.0	-

Employment	2012	2013	Movement
Employed	48.2	40.5	(7.7)
Unemployed	30.0	36.2	6.1
Economically inactive	21.7	23.3	1.6
Total	100.0	100.0	-

Marital status	2012	2013	Movement
Never married	31.3	43.8	12.5
Married	42.7	38.3	(4.4)
Single after marriage	26.1	17.9	(8.1)
Total	100.0	100.0	-

Scores may not add up to 100% due to rounding effects

ANNEXURE D (continued)

Drifting Well Village (39.8% of households)

Income group	2012	2013	Movement
Low Income (R1 - R58 093 pa)	47.6	45.5	(2.1)
Low emerging income (R58 094 - R160 892 pa)	28.4	29.4	1.0
Emerging middle class (R160 893 - R382 127 pa)	14.6	19.5	4.9
Realised middle class (R382 128 - R662 676 pa)	5.6	4.2	(1.4)
Upper middle class (R662 677 - R907 101 pa)	1.1	0.6	(0.5)
Emerging affluent (R907 102 - R1 396 336 pa)	1.6	0.3	(1.3)
Affluent (R1 396 337+ pa)	1.1	0.4	(0.7)
Total	100.0	100.0	-

Age group	2012	2013	Movement
<18	0.9	0.2	(0.7)
18 to 24	8.0	7.6	(0.4)
25 to 34	18.2	23.6	5.4
35 to 44	20.1	24.7	4.7
45 to 54	20.0	16.9	(3.1)
55 to 64	15.2	11.6	(3.6)
65+	17.6	15.3	(2.3)
Total	100.0	100.0	-

Education	2012	2013	Movement
Some primary	9.2	6.7	(2.5)
Some secondary	40.7	25.1	(15.6)
Completed secondary	32.0	41.6	9.7
Tertiary	18.1	26.5	8.4
Total	100.0	100.0	-

Employment	2012	2013	Movement
Employed	57.1	59.4	2.3
Unemployed	18.7	16.1	(2.6)
Economically inactive	24.2	24.5	0.3
Total	100.0	100.0	-

Marital status	2012	2013	Movement
Never married	31.1	35.1	4.0
Married	44.1	47.7	3.6
Single after marriage	24.8	17.2	(7.6)
Total	100.0	100.0	-

Scores may not add up to 100% due to rounding effects

ANNEXURE D (continued)

Anchored Well Village (21.8% of households)

Income group	2012	2013	Movement
Low Income (R1 - R58 093 pa)	12.2	10.4	(1.8)
Low emerging income (R58 094 - R160 892 pa)	29.5	22.0	(7.5)
Emerging middle class (R160 893 - R382 127 pa)	31.4	35.5	4.1
Realised middle class (R382 128 - R662 676 pa)	13.6	18.2	4.6
Upper middle class (R662 677 - R907 101 pa)	4.2	6.2	2.0
Emerging affluent (R907 102 - R1 396 336 pa)	5.5	4.7	(0.8)
Affluent (R1 396 337+ pa)	3.6	2.9	(0.7)
Total	100.0	100.0	-

Age group	2012	2013	Movement
<18	0.5	-	(0.5)
18 to 24	2.5	7.2	4.6
25 to 34	11.0	22.7	11.6
35 to 44	21.4	22.7	1.3
45 to 54	29.7	23.2	(6.4)
55 to 64	19.4	19.7	0.3
65+	15.5	4.5	(11.0)
Total	100.0	100.0	-

Education	2012	2013	Movement
Some primary	-	-	-
Some secondary	18.8	3.3	(15.5)
Completed secondary	38.6	32.9	(5.8)
Tertiary	42.6	63.9	21.3
Total	100.0	100.0	-

Employment	2012	2013	Movement
Employed	69.7	73.1	3.3
Unemployed	9.0	11.3	2.3
Economically inactive	21.3	15.7	(5.6)
Total	100.0	100.0	-

Marital status	2012	2013	Movement
Never married	17.5	32.4	14.9
Married	62.1	54.9	(7.1)
Single after marriage	20.5	12.7	(7.8)
Total	100.0	100.0	-

Scores may not add up to 100% due to rounding effects

ANNEXURE E
Financial Wellness Index according to demographic variables

Income group	2012	2013	Movement
Low Income (R1 - R58 093 pa)	52.91	53.89	0.98
Low emerging income (R58 094 - R160 892 pa)	72.08	69.15	(2.93)
Emerging middle class (R160 893 - R382 127 pa)	80.53	78.04	(2.49)
Realised middle class (R382 128 - R662 676 pa)	81.92	85.79	3.87
Upper middle class (R662 677 - R907 101 pa)	86.34	88.54	2.20
Emerging affluent (R907 102 - R1 396 336 pa)	87.48	93.29	5.81
Affluent (R1 396 337+ pa)	87.12	90.56	3.44

Age group	2012	2013	Movement
<18	50.41	62.14	11.73
18 to 24	64.45	62.87	(1.58)
25 to 34	63.11	63.53	0.42
35 to 44	64.73	66.47	1.75
45 to 54	66.64	63.91	(2.73)
55 to 64	64.78	65.79	1.01
64+	63.25	59.40	(3.85)

Education	2012	2013	Movement
Some primary	44.05	43.64	(0.41)
Some secondary	60.19	55.66	(4.53)
Completed secondary	73.86	67.40	(6.46)
Tertiary	81.07	77.40	(3.67)

Employment	2012	2013	Movement
Employed	68.90	69.47	0.57
Unemployed	53.81	55.06	1.25
Economically inactive	65.39	60.32	(5.07)