

Let's talk about money

The recession is not only affecting our pockets but our relationships as well. Yet, while people are feeling desperate and angry, there are also positive changes that are starting to emerge.

Research conducted by The Solution Workshop shows that the crisis has had a severe emotional impact on South Africans. People are feeling unhappy, anxious, depressed, angry, and there is also a strong sense of failure.

Cutting back

People feel they cannot afford to buy their children the things they need and despite feeling over worked as they take on extra opportunities to make money, they must cut back on those luxuries they feel they deserve.

As one respondent commented, "It's very bad, because you must cut down on things you like, just to get the basics – it's not nice". Many households are rationing food and locking cupboards so that food can last and impulse shopping is a thing of the past.

Feelings of failure

Financial stress has also added to our anxiety levels. While some people are following strict budgets others are following the ostrich behaviour of ignoring debts. The inability to pay debts is leading to depression and feelings of helplessness. Respondents spoke about how angry and depressed people are becoming as well as the rising levels of aggression.

People feel very strongly that their children are suffering as a result. Apart from the fact that they have to keep saying no to children's needs, parents who are unable to pay for school fees see their children suffering with the embarrassment of not receiving their reports. Money has become such an important measurement of our success or failure, that many breadwinners are feeling like they have failed their families and this is just adding stress to the relationships.

Taking control

Although this research paints a very negative picture, there are some extremely positive behavioural changes taking place. In response to their fear and desperation, people are recognising the need for budgeting and planning.

Many respondents said that they were taking control of circumstances and being more disciplined. They are talking about their finances more with their family and their children are learning about budgeting. Respondents said that they are thinking more about how they spend money and on what. "I go shopping with a specific amount of cash and do not add up what it costs – when I get to the till I look at the sub-total until I reach my limit and then tell them to take the rest back," said one respondent.

This need to take control of family expenses has created the desire for people to educate themselves to be able to make informed decisions, especially financial decisions. People who are taking control have a sense of empowerment. Respondents said they were learning how to save on bank charges, electricity and acting on specials and promotions. People are spending more time entertaining family and friends at home rather than eating out and DVD's have replaced a outings to the movies.

Desire to save

Seventy-eight percent of respondents said that once they recovered financially they were going to save more. The lack of savings has made people feel particularly vulnerable. "I am still busy learning a hard lesson. I did overspend and I got too much credit and yes, I am going through a hard time trying to get everything paid off. In future, when I have extra money I will save."

Interestingly however, this view was not necessarily shared across all income groups. The majority of the middle and lower income respondents were adamant that they will not return to previous way of spending, the lessons learnt have been too hard. Yet upper income earners feel that people will return to previous ways of spending once they have more money available, they see it as part of human nature.

While lower and middle income earners were tending to stick to budgets, higher income earners were tending to use their credit cards to maintain some level of expenditure.

Cutting back on costs

The research showed that people are looking for ways to save such as changing bank accounts, excluding extended family from funeral cover, removing non-breadwinners cover from insurance and changing medical aid to hospital plan.

Any additional savings are not going into products but rather bond repayments. Performances and fees on investments and products are also being scrutinised more carefully with people cancelling if they feel the products are not delivering.

While many of these cut backs are a sensible reaction to tighter budgets, people are also cancelling products that are leaving them financially vulnerable. There are incidences of people cancelling life insurance, and not telling partner, as don't want to be seen in negative light. Respondents also said that cancelling these products was making them feel that they were not good enough provides.

Cut back wisely

There are ways to reduce your monthly costs without leaving you financially vulnerable.

- Speak to your advisor and see if your product qualifies for a payment holiday.
- There may be less expensive options that allow you to keep some basic cover in place
- There may be less expensive options that allow you to keep some basic cover in place like exercising a reduction of benefits
- It is always prudent to maintain some levels of cover as opposed to cancelling your policy. Liberty Life currently offers you the opportunity to reduce your premiums and benefits on your risk product then return them 6 months later to their original levels, free of underwriting
- Remember that risk is random and inevitably when you cancel your contract, remember Murphy's law

Even when financial adversity is upon, remember that there is no time like the present to plan for your future but more importantly, is more than just life cover, it about Your life!