



## Breeding a Culture of Savings



### Why is Saving Money Important?

A savings culture will enable the attainment of goals for an individual and more so for the Zimbabwe economy. A high savings rate will ensure that personal goals are met as well as the country meeting some of its investment needs domestically without having to borrow from international financial lending houses. Savings enable a decent retirement and also allow individuals to protect themselves against unforeseen events.

### Are Zimbabweans Saving?

Demand deposits last on average 90 days within Zimbabwe's banking institutions thus only short term loans are feasible. 83% of deposits in Zimbabwean banking institutions are transitory and can be demanded by depositors easily and without prior notice. As at 31 March 2018, demand deposits and savings consisted 64.44% and 4.76% of deposits respectively (RBZ, March 2018). The numbers have since dwindled from prior years, and there is urgent need to ensure that a culture of savings is instilled in Zimbabwe.

### Why is it so low?

Various reasons can be attributed to this low savings rate:

- **Lack of awareness** – poor financial awareness among Zimbabweans hinders a culture of saving. First Mutual has taken the initiative to start financial literacy training in Zimbabwe, because financial education is an important factor that will influence the population to save. There is need to ensure the culture of saving is initiated at grass roots level and some cultures teach children about saving from early childhood. It is also important to note that awareness should extend beyond savings and also instil the notion of planning to ensure

that there is creation of generational wealth. A financial plan helps with seeing the big picture and helps set long and short-term life goals, a crucial step in mapping out your financial future.

- **Culture of consumerism** – the desire to accumulate material assets for oneself and where purchase decisions are dictated by the most recent trends, resulting in spending beyond one's needs, as well as impulse buying without due consideration for the future.

- **Financial strain** – Zimbabwe is short of cash, driven by various factors including an economy that is not performing at full throttle thus fueling discrepancies in the monetary supply system.

### What can be done to boost savings?

- **Increase educational campaigns** - the government and the financial services industry should assist in educating individuals about the benefits of savings as well as the costs of the financial products (transparency should be the order of the day). Parents should also get involved and teach their children from a young age to understand the importance of saving by explaining to them for example how to save on a monthly basis for a bicycle or any other asset that they want. Parents should explain to their children that overdrafts and credit cards are effectively a loan that has to be repaid with interest which ultimately increases the cost of the money significantly.

- **Promotions and Rewards:** An exciting option to promote a culture of saving in Zimbabwe from banking institutions is providing incentives for saving. Banks for instance have given the opportunity to anyone saving a stipulated minimum amount the chance to win a monetary award or other associated incentives.

- **Internal Savings and Loans (ISAL) Schemes Model:** Internal Savings and Lending Associations is an association formed amongst participants who agree to make regular contributions to a fund, and have the opportunity to borrow from the fund. Internal Savings and Loans (ISALS) are a classic example of a traditional type of mutual aid or solidarity associations and provide saving and opportunity to borrow and expand income generating activities.

### How can we Increase our Disposable Income

Although decreasing levels of disposable income of Zimbabweans is a reality, the desire to purchase luxury goods to keep up with the Joneses is still evident in Zimbabwe. These desires are often met by obtaining credit over a lengthy period of time. However, the risks of not saving are high, as it aptly explained by Vicky Robin – "If you live for having it all, whatever you have is never enough".

Zimbabweans should be disciplined and spend less than they earn. They should carefully plan their spending through preparing budgets and adhering to them. In addition, there are other mechanisms which help with savings and financial management such as:

- short-term insurance against unforeseen car accident or loss of property;
- long-term insurance against the risk of death or disability;
- medical aid cover against unpredictable medical costs.
- Structured savings options such as unit trusts

### Conclusion

Many times, people in different social circles say they would save only when they have enough. Enough is subjective because it is influenced by personal feelings, tastes, spending habits or opinions. In life, excuses will only earn us sympathy from the like-minded and take us nowhere.

It is high time that individuals deconstruct the "enough-save" mindset and start accumulating wealth from the little incomes. A \$500 investment can do great things for a financially focused individual than one who believes that only a three or four zeros paycheck will kick-start his/her savings journey.

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