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THE SANDWICH GENERATION IN SOUTH AFRICA

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NAVIGATING FINANCIAL PRESSURES:

THE SANDWICH GENERATION IN SOUTH AFRICA

BY: VERLYN TROSKIE, HEAD OF RETAIL DISTRIBUTION

The "sandwich generation" in South Africa, typically consisting of 40 to 60-year-old adults, is a growing demographic facing distinct financial and emotional challenges, caught in the middle of providing financial support and care for both their ageing parents and their children. According to the *2023 Sanlam Financial Confidence Index*, this generation shows lower confidence levels in their finances than their older and younger counterparts, indicating a heavier financial burden on the Sandwich Generation.

Several factors contribute to the phenomenon, including ageing parents living longer and facing affordability issues that may lead to reducing their medical benefits. Additionally, children are starting families later, staying at home longer, or returning home after studying, all contributing to a 2% annual growth rate of this phenomenon.

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69% of young adults aged 18-24 still live with their parents.

The financial burden in South Africa

South Africa's sandwich generation faces various financial challenges. The country has one of the highest global unemployment rates, at around 32.9%, making it challenging for young South Africans to achieve financial independence. As a result, many rely on their families for financial support for more extended periods. In South Africa, 69% of young adults aged 18-24 still live with their parents, and 45% of those aged 25-34 also stay home.

At the other end of the age spectrum, older people are battling to keep up with increasing healthcare costs. With advancements in modern healthcare, elderly individuals are enjoying longer lives. However, this comes with the challenge of significantly rising medical expenses. This increased longevity raises the likelihood of retirees outliving their savings, which may necessitate lifestyle adjustments to reduce costs. Medical insurance benefits are often the first to be cut, even though they typically cover the most expensive and high-probability medical expenses.

Additionally, the public healthcare sector is often not feasible for retirees due to insufficient funding, limited resources, and long wait times.

A 2023 Old Mutual Savings & Investment Monitor (OMSIM) reported that 43% of South African households financially support multiple generations (an increase from 39% in 2022), while 23% of South Africa's working population falls in this category.

Considering the financial obligations mentioned above, the Sandwich Generation's ability to save for their own future and retirement is severely impacted, often leading to delayed financial goals and increased

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Robust, multi-generational financial planning is crucial for addressing the challenges of the sandwich generation.

- **Speaking to a licensed financial adviser** is recommended. The *OMSIM reported* that only 4 out of 10 South Africans consult with a financial adviser or planner.

- **Developing a detailed budget** is essential for tracking income and expenses. By identifying areas of discretionary spending and potential savings, it's possible to free up funds for current needs and future investments. In the *OMSIM*, 57% of respondents admitted that their finances were never correctly organised. However, 58% of respondents also stated that their financial priority was to reduce expenses. Budgeting allows us to address both of these issues effectively.

- **Maintaining adequate medical coverage** and adding gap cover for ageing parents can help streamline potentially significant, irregular medical expenses. These expenses could hurt the parents and jeopardise the sandwich generation's retirement plans. Without this cover, the sandwich generation would have to bear these expenses. Considering long-term care insurance for ageing parents can help mitigate the risk of high healthcare costs. This type of insurance can cover expenses for services such as in-home or nursing home care, which could quickly deplete savings.

- **Despite the immediate financial pressures, it is vital to continue contributing to retirement annuities** or employer-offered pension schemes. The sooner you can start investing in these solutions, the better, giving compound interest time to make your money work for you. Not taking advantage of offered tax rebates for contributions to compulsory savings like RA's and Pensions could impact your long-term retirement success and potentially lead to ongoing financial dependence on the next generation.

- **Consider utilising tax-free savings accounts** (TFSAs) to build a nest egg or managing a credit line with the bank to subsidise unplanned emergency expenses.

- **Consider buying house brands** over premium brands or join a grocery club to buy non-perishable items at wholesale prices to make your money go further.

Balancing emotional and financial well-being

Managing the dual responsibilities of caring for children and parents can lead to significant emotional strain. Involving children and ageing parents in the financial planning process is crucial to breaking the cycle and providing assurance that you want to move alongside them in this process to achieve better-than-anticipated outcomes for all generations in the future. Seeking the help of a proficient financial adviser and, if possible, a Certified Financial Planner skilled in multi-generational financial planning to receive objective advice, proper holistic, long-term planning, and investment solutions aligned with current and future financial goals.

At Sentio Capital Management, we understand the unique pressures the South African sandwich generation faces, and we are committed to assisting them by offering tailored strategies to help them navigate their financial journey effectively and retire with dignity.

Author

Verlyn Troskie, CFP ®

Head of Retail Distribution

Verlyn is an experienced professional in the financial services and investment management industry, bringing over 15 years of experience to his role at Sentio Capital Management. He started his career as a Financial Advisor and later as a Financial Consultant with Old Mutual PFA and PWM, respectively. After that, he joined Old Mutual Broker Distribution as a Broker Consultant and the Liberty Group as a Senior Investment Specialist, where he managed business development across various channels. In 2023, Verlyn became the Head of Retail Distribution at Sentio, using his extensive background to drive growth and provide value to clients.

As custodians of client capital, we aim to deliver sustainable returns through our impactful, responsible investing approach.

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Sentio Capital Management (Pty) Ltd
is An Authorised Financial Services
Provider FSP No 33843
Company Registration No
2007/018379/07

Illovo Edge, Building 3, 1st Floor
5 Harries Road, Illovo, Johannesburg
South Africa, 2196
T: +27 11 880 1994
www.sentio-capital.com