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Going out in style - the culture and finance of death in South Africa

The anxiety that many South Africans must feel about being able to provide an adequate funeral for loved ones, as well as the importance of such funerals in the different cultures of South Africa, is highlighted by the high incidence of funeral cover in South Africa relative to other types of financial cover available. Findings from FinScope 2006 also reveal that formal institutions are playing second fiddle to informal offerings in capitalising on this market.

Death in South Africa

Although the study did not measure the rate of mortality in South Africa, it did record how many people were affected by the death of the main breadwinner, a devastating loss, in the 12 months preceding the study. Five percent were affected by such a death, translating into 1,7 million people. The incidence rises to 8% in tribal lands, representing almost 900 000 people. The table below bears testimony to the high unemployment rate in South Africa, as well as the fact that income earners often support a number of people in the household.

	Total South Africa	Black	White	Coloured	Asian
Average dwellers per household	4,8	5,1	3,1	4,5	4,9
Average number of income earners per household	1,6	1,6	1,8	1,9	2,2
Average job seekers per household	1,2	1,5	0,2	0,6	0,5

Burial costs add to the financial strains and the emotional loss often associated with death. Eight percent of adult South African residents have contributed to a family funeral in the last 12 months. This is over and above money that two thirds of them have already paid into a burial society. The incidence of such contributions is higher in the black and Indian/Asian communities at 9%, and lower in the white and coloured communities at 4%. The strain of financing a funeral is also compounded by the fact that those who had contributed funds for such an event had done so for an average of almost two funerals each. The funds contributed are fairly substantial, with the average contribution towards the last funeral being around R1 650.

Ten percent of people also say that they will borrow, or are likely to have to borrow, money to cover funeral expenses.

Few South Africans have a will or testament (17%). This figure is relatively high for white people at 57%, and low for black people at 11%.

Contextualising funeral policies, both formal and informal, in South Africa

Thirty nine percent of South Africans over the age of 16 claim to have funeral cover of some kind. This represents around 12,2 million people. Possession of some form of funeral cover by race is as follows:

- Black - 36%
- White - 47%
- Coloured - 59%
- Asian - 25%

Although the incidence of such cover is highest in formal urban areas (44%), it permeates all sectors of society, being found among people living in tribal lands (32%), rural formal (40%) as well as urban informal areas (37%). Although affordability is the main barrier to having funeral cover, many will make sacrifices to have such cover. One quarter of those in LSM¹ 1 - 2, people with the lowest living standards in the country, have funeral cover.

Funeral cover is extensive compared to other of financial offerings. Only half of the adult population is banked, and 20% of South African residents have retail cards of some kind. Only 10% have life insurance and a retirement plan of some kind. Nine percent have asset insurance, a loan of some description or medical cover, and only 7% have some kind of saving mechanism. Therefore, funeral policies are taking precedence over many other financial choices in the market, highlighting the apparent importance of funerals and funeral cover in our society.

Type of funeral cover held

The type of funeral cover by total population and by race is outlined in the table below:

	Total %	Black %	White %	Coloured %	Indian/Asian %
Burial society	19	21	4	20	6
Funeral cover through an undertaker/funeral parlour	9	9	5	16	8
Funeral policy with an insurance company	8	5	21	17	9
Funeral policy with a bank	6	5	10	9	6
Funeral policy from a shop or store e.g. Edgars	2	2	5	3	1
Funeral policy with a broker	2	1	4	3	0
Funeral cover from your employer	2	1	8	4	2
Funeral policy with an administrator e.g. The Best Funeral Practice	1	0	1	1	0

Although many South Africans have funeral cover of some kind, the type of cover held differs widely. The most widespread form of funeral cover is from burial societies. However, this type of cover is closely aligned with the black and coloured population groups. The second most common type of cover is that offered through an undertaker, and this is particularly prevalent in coloured communities. White people are most likely to have cover through more formalised channels, such as an insurance company or a bank.

Support or benefits aside from money are also afforded those who have funeral cover. Often such cover has the added benefit of being helped with the actual funeral arrangements.

¹ LSM or Living Standards Measure is a categorisation ranging from 1 to 10 used extensively by marketers and advertisers as a means to segment the population. It is a crude proxy for wealth, with the lower LSM groups comprising the most impoverished end of the spectrum.

Burial societies in more depth

Perceptions on why people have funeral cover are very similar for all formal services - the main issue being to help with arrangements and cash when there is a death. Burial societies, however, are somewhat different with far higher mentions of belonging in order to socialise, for people to help each other and to borrow money. Comfort and support is most associated with burial societies and, interestingly enough, banks and insurance companies.

Among those who belong to burial societies, most belong to only one such society. Most members claim that their contributions to their society have not increased much in the last year, with 73% claiming that they are paying the same amount as they were paying a year ago. Less than one-quarter claim that their contributions have increased. It could be that the largely static nature of the contributions to such societies may be a result of an inability of most members to contribute any more than they already are.

Most of those belonging to a burial society (83%) claim to be the main member. However, irrespective of whether a person claimed to be the primary member or not, burial societies are on average providing cover for around six people. Therefore, although 19% of adult South Africans claim to belong to a burial society, the actual number covered by such informal offerings is likely to be much larger. This highlights the enormous role that such offerings play in our society. Most burial society members are also banked, emphasising that informal offerings are relevant even among those who have access to more formalised products. This may be an indication that formalised offerings are failing to deliver on some of the benefits sought after and offered through the informal market.

The level of involvement in such societies is also evident in the fact that few members (3%) do not know the manner in which their society operates, for example, whether it pays out a lump sum or handles all the funeral arrangements and associated costs. Most burial societies make a cash payout when someone dies (49%), 38% make the funeral arrangements and make a cash payout, while 36% make all the arrangements without making a cash payout. Cash payouts are around R4 150.

Few burial societies have a relationship with an insurance company (only 4% of members claim such a relationship), although 40% are claimed to have an arrangement with a funeral parlour.

Summary

A high proportion of South African adults have funeral cover of some kind, supporting the belief that the need for funerals of a certain standard is important in our society. It is evident that many people are choosing to make financial provision for funerals over and above other financial behaviour such as saving or taking out insurance. It could be argued that these would have better benefits for the contributing party as well as the beneficiaries of funds after a death. However, behaviour around funeral cover is entrenched and any change is unlikely. Formal institutions in South African are largely failing to benefit from the funeral cover industry, most of which is housed in the informal sector.

FinScope™ was launched in 2003 by the FinMark Trust. It was an attempt to establish credible benchmarks for the use of, and access to, financial services in South Africa. It was designed to highlight opportunities for innovation in products and delivery. The findings in 2003 and subsequent years have identified barriers to access for low income people and provided insights for policymakers, in both the public and private sectors, who wish to remove or reduce the barriers. For more information see: <http://www.finscope.co.za>.

FinScope™ SA 2006, a study to monitor use and perceptions of the financial sector in South Africa, was conducted by Research Surveys, South Africa's leading marketing insights company, on behalf of FinMark Trust and syndicate members. Face-to-face interviews were conducted among 3 894 South African residents aged 16 years and older, between June and August 2006. A nationally representative sample was drawn, which was weighted and benchmarked to the StatsSA 2006 mid-year estimates based on the Census 2001 estimate information.

The 2006 South African syndicate members are: Absa, First National Bank, National Treasury, Nedbank, Standard Bank, the Financial Services Board, Liberty Life, Metropolitan, Sanlam, Teba Bank and Old Mutual.