

RSA Retail Savings Bonds briefing note

- To encourage households to start saving alongside business and government, the National Treasury developed a retail bond which offers guaranteed returns, can be bought for as little as R1, 000 and carries no commission, agency or service fees.
- The Retail Bond also allows investors to take control of their own savings portfolio instead of investing through a third party. The RSA Retail Bonds offer competitive rates, with similar benefits as Government is paying in the capital markets. Individuals will now have access to those benefits in the same way as businesses and corporations.
- Retail Savings Bonds stimulate personal economic empowerment by providing an alternative investment instrument that is safe and secure while delivering solid and dependable returns as well as creating healthy competition between the investment instruments in the marketplace, to the ultimate benefit of the individual investor.
- The simplicity and reliability of the RSA Retail Savings Bonds should lead, over time, to deeper levels of financial and economic literacy in South Africa as a whole. As such, South Africans across the economic strata will have the opportunity to become financially empowered, a development that in turn should stimulate a savings culture and encourage economic maturity.

Target Group

- Target – Living Standard Measurement (LSM 4-9)
- Targeting 11 million South Africans

Main Features

- No fees, simple, secure, easily accessible and affordable
- Available to all RSA citizens and permanent residents with a valid ID number and RSA bank account
- Backed by the full faith of Government

Savings Products

Fixed Rate Retail Savings Bonds

- Rolling maturities of 2-years, 3-years and 5-years
- Offers fixed rate until maturity
- Investment amount R1 000 to R1 million

- Interest payment option – payments received semi-annually or monthly (monthly repayments for over-60's only)
- Option of reinvesting payments

Inflation-linked retail savings bonds (introduced in 2007)

- 3-year, 5-year and 10-year maturities
- Inflation protection for investors
- Bi-annual interest payment only
- Investment amount R1 000 to R1 million

Recent Figures

As at 31 March 2008

- Total amount invested to date R2.33 billion
- Number of Investors 18 403
- Number of Investments 27 783
- Average per investment R 54 000
- Investors over 50 years 60%
- Investments between 1 000-20 000 67%

Recent savings figures for South Africa¹:

Gross savings as percentage of GDP	13.5%	<i>Dec2007</i>
National Savings Ratio	14.1%	<i>2007</i>
Amount saved by South Africans (R millions)	R281 648	<i>2007</i>
Foreign capital financing gross capital formation	34.0%	<i>2007*</i>
(*highest rate of dependency since 1970 – 26.1%)		
Corporate sector savings ratio	9.9%	<i>2007</i>
Household sector savings ratio	1.4%	<i>2007</i>
General government savings ratio	2.9%	<i>2007</i>

¹ Information obtained from South African Reserve Bank Quarterly Bulletin No. 247, March 2008