FSCA
Financial Sector Conduct Authority

Financial literacy, competency and education

Briefing Report No. 10

based on the results of the 2020 Financial Literacy Baseline Survey

"Black tax": Participation in, and attitudes towards intra-familial financial support

Many South Africans feel the pressure from what some call "Black Tax", the financial obligation to support family members who have little or no income. It is believed that this burden falls primarily on members of the Black African majority. Financial commentators often remark that these financial intra-familial commitments make it difficult for people to save, plan for retirement and enter the property market. Yet, while many are quite critical of these family obligations, there are some who are positive of the "Black Tax" and argue that, rather than a burden, the "Black Tax" should instead be seen as an 'investment' in the South African family.

Hoping to provide insight into the ongoing controversies surrounding the "Black Tax" issue, the Financial Sector Conduct Authority (FSCA) commissioned a special study into the phenomenon. This brief will present the results of that study, examining public participation in, and attitudes towards, intra-familial financial obligations in the country. Data for this brief is drawn from a more in-depth survey-based examination of financial knowledge, attitudes and behaviour commissioned by the FSCA in 2020.

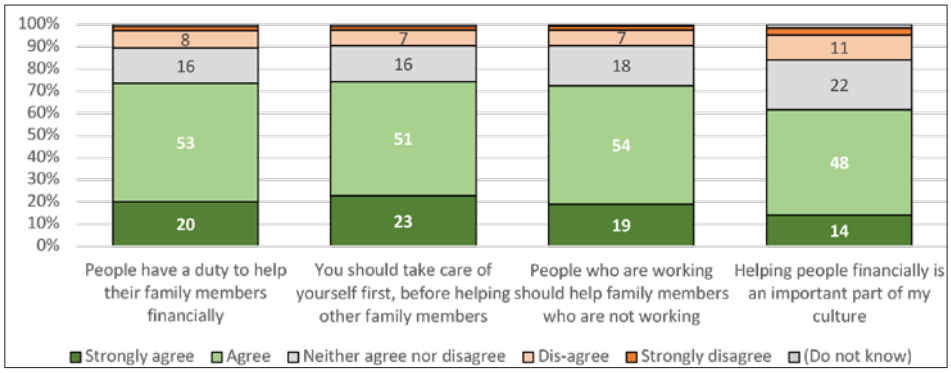
OVERVIEW OF THE STUDY

As part of on-going efforts by the FSCA to better understand, monitor and promote financial literacy in South Africa, the Human Sciences Research Council (HSRC) was commissioned to undertake surveys that examine financial knowledge, attitudes and behaviour among adult South Africans. The first round of surveying was conducted in 2010, with replications occurring in 2011, 2012, 2013, 2017 and 2020. The surveys consist of nationally representative samples, which mean that the results reflect the views of South Africans aged 16 years and older. In the 2020 survey, questions on intra-familial support were included and in this brief the results are discussed.

ATTITUDES TOWARDS INTRA-FAMILIAL SUPPORT

Much of what has been written about the "Black Tax" tends to concentrate on the negative and portray this kind of intra-familial financial support as burdensome. But how do ordinary people perceive the role of intra-familial support in their life and in their culture? In the survey, respondents were asked four different questions about supporting family members financially (**Figure 1**). As is evident from the

Figure 1: Public agreement and disagreement about four statements about helping family members financially



Report prepared by

FSCA
Financial Sector Conduct Authority

Financial Sector Conduct Authority (FSCA)
Riverwalk Office Park, Block B
41 Matroosberg Road
Ashlea Gardens Ext. 0081
Pretoria
T: 0800 20 37 22 | www.fsca.co.za

and

HSRC Human Sciences Research Council | DCES Developmental, Capable & Ethical State

Human Sciences Research Council (HSRC)
Developmental, Capable and Ethical State (DCES) research division

April 2022

Authored by:

Steven Gordon
Benjamin Roberts
Jarè Struwig
Lyndwill Clarke
Caretha Laubscher





figure, most of the adult public agreed that intra-familial support is critical. For instance, nearly three-quarters (73%) of the general population thought that people have a duty to help meet their family members' economic needs.

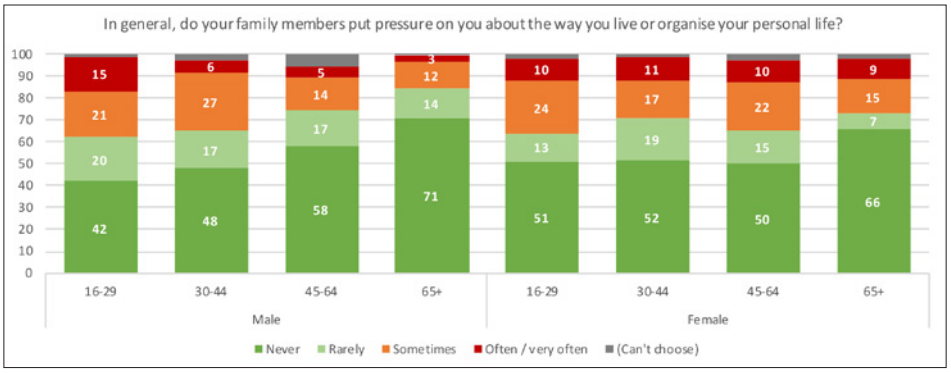
A majority of adults (73%) also believed that family members who are working should help their kin who are not. These results should, however, not mislead the reader into thinking that a majority of the population believes that people should selflessly give. Indeed, 74% of the public agreed with the statement: '[y]ou should take care of yourself first, before helping other family members'. Despite this, more than three-fifths (62%) of the adult population felt that helping people financially is an important part of their culture. Few racial dissimilarities were noted in how this question was answered but interestingly, white adults were somewhat more likely (68%) to agree with this statement than the Black African majority (61%).

FEELING PRESSURE FROM SOCIAL NETWORKS

It is apparent that a clear majority of the adult population view intra-familial financial support as a moral duty or societal value that has been (and should be) passed down through the generations. But, what can explain the discontent with which the "Black Tax" is often viewed? To better understand this apparent contradiction, consumer experiences of intra-familial financial support need to be evaluated. It is important to explore whether people feel pressured and overstretched by familial demands.

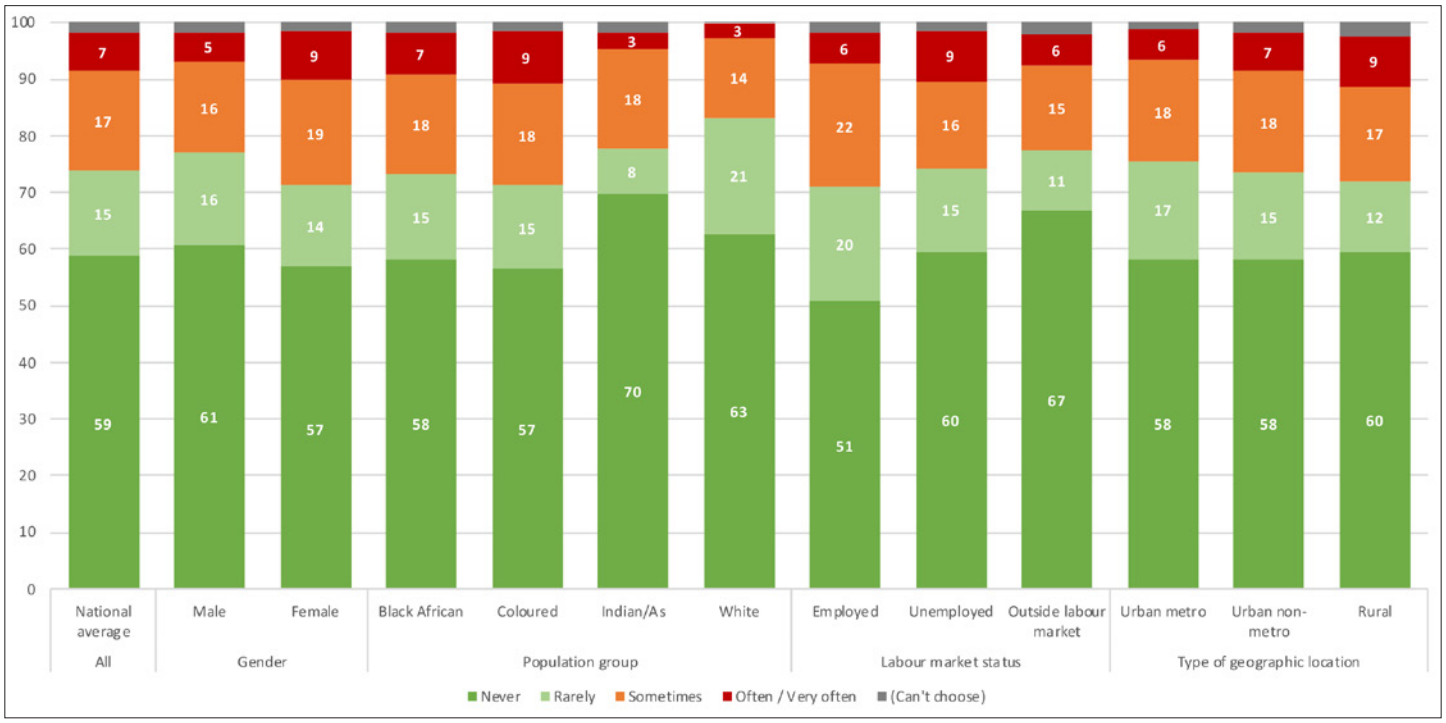
SASAS respondents were asked: "In general, do your family members put pressure on you about the way you live or organise your personal life?" More than half (51%) of the adult public said that this had never happened before. Approximately a third claimed that it had either happened sometimes (16%) or rarely (20%). About a tenth (10%) told fieldworkers that it occurred often (7%) or very often (3%).

Figure 2: Frequency with which the general public feel that their family put pressure on how they lived (or organised) their personal lives by gender and age group, 2020



A noteworthy age disparity was detected, with younger people more likely to experience pressure from friends and family (**Figure 2**). We also found a gender difference to this finding, with older females much more likely to experience pressure than their male peers.

Figure 3: Proportion who believe that their family, relatives and/or friends make many financial demands on them by selected subgroups, 2020



Having established the degree of general family pressure, respondents were then asked about financial pressure put on them via family members or friends. SASAS respondents were asked: "Do you feel that your family, relatives and/or friends make too many financial demands on you?" Nearly three-fifths (59%) of the adult public said that this had never happened before. Just about a third said that it had either happened sometimes (17%) or rarely (15%), and around a tenth told fieldworkers that it occurred often (5%) or very often (2%). No noteworthy gender or geographic disparities were detected (**Figure 3**). However, there are significant racial differences in the reported experience of this kind of familial pressure. Black African and Coloured adults were more likely than others to report this experience. Labour market status also appeared to be an important determinant of financial pressure, with the employed more likely to report feeling burdened in this way.



RELIANCE ON FAMILY DURING FISCAL DURESS

Consumers in South Africa frequently rely on family for financial advice. During the SASAS interview, survey participants were questioned on whether they normally asked family for financial advice. About half (52%) of the adult public said that they typically sourced advice from familial networks when making financial decisions. Looking at the utilisation of other sources of advice, it was clear that familial networks were the most important source of fiscal guidance in the country. We noted, interestingly, that white adults were much less likely to ask family members for advice than other population groups.

To better understand intra-familial fiscal support, we need to assess whether consumers would turn to family if they had to quickly source emergency funds. SASAS respondents were required to indicate whether they would ask family to help if they needed to find money equivalent to one month's income. About a third of the adult population said that they would turn to family in such an eventuality. There was an age differential evident here, with older individuals more likely to look to family for help (**Figure 4**). This strategy was found to be more popular amongst older consumers who had not set aside funds that would cover their expenses for at least three months.

The elderly in many South African cultures would traditionally rely on the financial support of family in their retirement. To understand how widespread this tradition is, we set out to evaluate whether consumers would turn to family to financially support them during retirement. SASAS respondents were asked what sources they would (or do currently) rely on to provide for them in their retirement. A tenth (10%) of the adult population said that they planned to rely on their family. This retirement strategy was found to be somewhat unpopular when compared to more formal options such as drawing a government pension or a workplace pension plan.

Figure 4: Proportion of adults who rely on family to help them make ends meet by age and availability of emergency funds, 2020

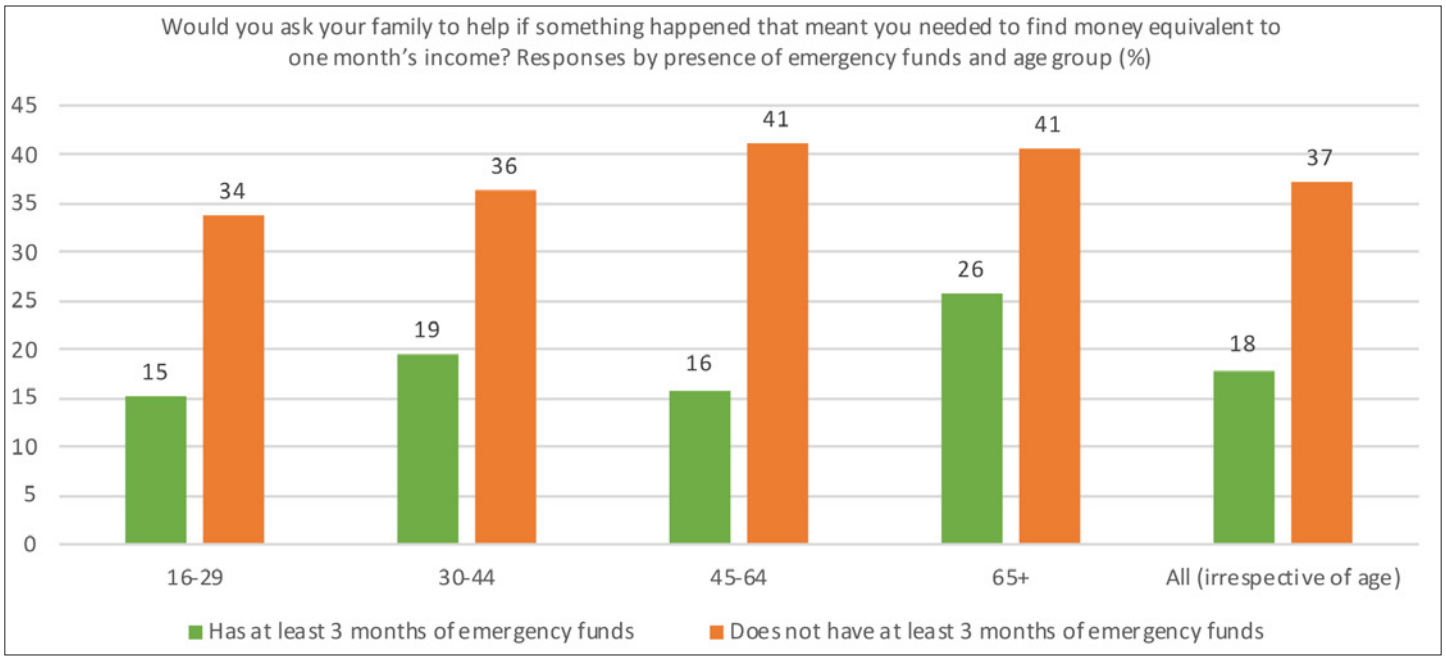






Photo created by wirestock - www.freepik.com

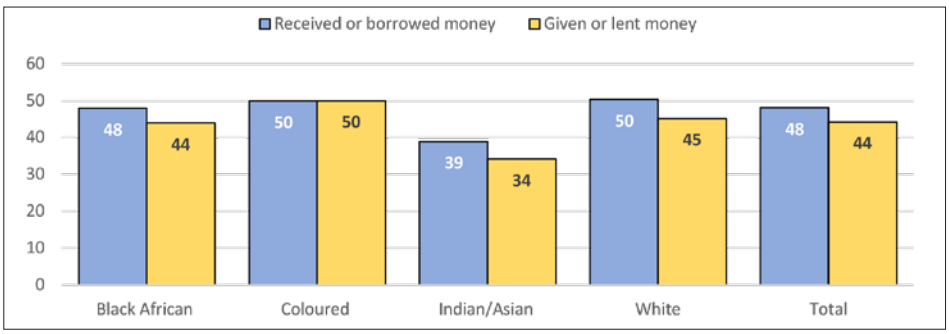
MAPPING INTRA-FAMILIAL MONEY TRANSFERS

The nature of intra-familial money transfers were established by asking respondents whether they borrowed or received any money from a family member in the three months prior to the SASAS interview, regardless of the amounts involved. A large minority (42%) of the adult population indicated that they had given or lent money to family members so during this period. Then survey participants were asked if they had received or borrowed money from family during the same period of time. Almost half (46%) of the general public said that they had received such a transfer in the last three months. Intra-familial financial support can be viewed as similar to banking transactions. If a person lends or gives money to a family member, then they are making a "deposit" into their wider family network. If, on the other hand, they borrow or receive money from family, then they are 'withdrawing' wealth from that network.

Different population groups reported similar rates of depositing and withdrawing money from family networks (**Figure 5**). The Indian minority were, however, somewhat less likely to practice this kind of intra-familial behaviour than other groups. A distinct geographic disparity was found in reported rates of recent participation in intra-familial financial transfers. Providing monetary aid within family groups was found to be more common in metropolitan urban areas than in rural locales. In addition, young people were more prone to withdraw money from family than they were to deposit. Unemployed South Africans were also more likely to withdraw rather than deposit resources, probably an indication of the insecure fiscal position of this group.

In order to provide an adequate appraisal of the workings of "Black Tax", we need to identify which types of family members are most involved in depositing and withdrawing from familial networks. To acquire this information, SASAS respondents were asked which family members they had given or lent any money to, as

Figure 5: Percentage who have lent to, or borrowed money from family members in the three months prior to the interview by population group, 2020



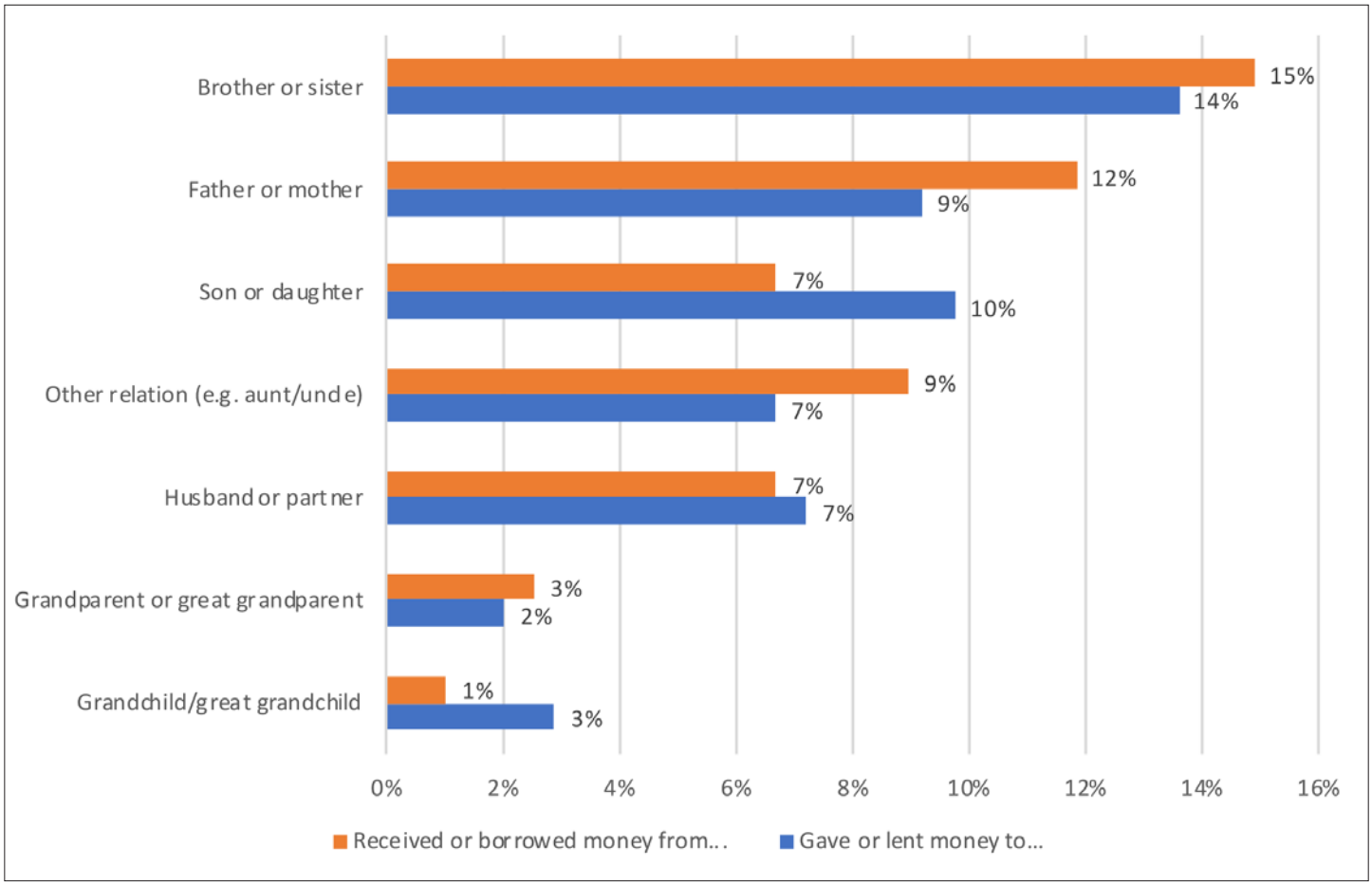


"The most common form of familial financial transfers (both giving and receiving) was between siblings"

well as which family members they had received or borrowed money from. Of all the family member types listed, grandparents or grandchildren were mentioned the least by the general public (**Figure 6**).

The most common form of familial financial transfers was between siblings; 15% had recently made a deposit to a brother or sister, and 14% had withdrawn money from this kind of relation. Many people were also found to have been involved in providing for, or receiving support from, their parents and their children. Older adults were more likely to withdraw capital from their children than from their parents.

Figure 6: Public responses to the question on whether a respondent had lent money to, or borrowed money from, the following family members in the three months prior to the interview, 2020







CONCLUSION

The data presented in this brief confirms that intra-familial networks are an important part of financial life in South Africa. Many consumers seek financial advice as well as capital from these networks. Although intra-familial networks were seen as an imperative and an important cultural value, a large proportion of the public feel their family makes too many financial demands of them. Financial transfers are often made within immediate family members (i.e., parents, siblings and children) rather than extended familial networks. Finally, as was shown in this brief, “Black Tax”, as a phenomenon, is not limited to the Black African majority and can be observed amongst all racial groups in South Africa. The reader is encouraged to download the full FSCA report for more in-depth analysis, available at www.fsca.co.za and www.fscamymoney.co.za