

THE FINANCIAL Diaries

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INVESTIGATING THE FINANCIAL LIVES OF THE POOR

FOCUS NOTE: Funerals and Finance – Events in the lives of Financial Diaries households

KEY POINTS:

- ❶ Rural households are hit by ALL types of events more frequently than urban households.
- ❷ The most frequent event experienced by both urban and rural households is a request for a funeral contribution for a relative who does not stay in the household (an **out-of-household** funeral).
- ❸ In rural households, **out-of-household** funerals happen more frequently than in urban households, but the financial contribution requested is lower.
- ❹ **Out-of-household** funerals are rarely covered by burial society or funeral plan payouts and more often covered by borrowing or dipping into savings.
- ❺ Twelve households experienced a death **WITHIN** the household over the study year. These funerals were funded by several different sources which were applied to a variety of expenses connected with the funeral.



One of the most difficult aspects of poverty is the vulnerability that it brings. Poor households are not only less able to cope with unexpected events, the very circumstances in which they live – poor hygiene, unprotected homes, crowded neighbourhoods – tend to bring more negative events into their lives.

Over the Financial Diaries year, we kept track of events in our respondent households. By events, we mean a variety of shocks that would have an impact on household finances. Examples would be a funeral or feast, or the loss of a job. In total, 18 different types of events were recorded. In addition, when we first met the households, we asked about events that had taken place during the previous year. In total, we captured financial events for 28 months of respondents' lives.



HIGH FREQUENCY OF EVENTS IN RURAL LUGANGENI COMPARED TO URBAN AND PERI-URBAN AREAS

One of the most striking results of the Financial Diaries is the vulnerability of rural households. As the Financial Diaries Sample Overview shows, these households have less income per member and are more dependent on grants and uncertain remittances from working relatives. The event data from the Financial Diaries also shows that rural households are exposed to over twice the number of events than either urban Langa or peri-urban Diepsloot.

In Lugangeni, the most frequent event by far is the death of a relative outside the household (an out-of-household funeral), happening on average nearly four times to each household in a 28 month period. Another common event, paid for at least once by 30% of the households, is a traditional feast, which costs households an average of R1650. Often this is for the umkhululo, the taking off of mourning clothes after

a relative has died. Another frequent event in the rural areas, even more so than the urban areas, is crime, which results in a loss on average of R2624 in household assets.

In Langa and Diepsloot, 75% of households had to contribute at least once to the funeral of an out-of-household funeral, where 32% had to contribute at least twice during a 28 month period. Other events register high on the list of unexpected financial burdens. In Diepsloot, common events, affecting 20% of households, are the loss of a regular job or injury. In Langa, 23% had to bear the financial burden of crime, costing households an average of R928 in household assets. Another common financial event in Langa is initiation, when teenage boys undergo a coming-of-age ritual, which bears an average price tag of R4383.

FREQUENT FUNERALS OF FAMILY OUTSIDE THE HOUSEHOLD

The charts on the next page show the most frequent event, in all areas, is a death of a family member outside the household. This means a relative who did not live with our respondent household. We only included deaths where some sort of financial contribution was made. Therefore, the number of these deaths likely understate the number of actual deaths occurring in the non-residential family over the time of the study. In Langa, 75% of the households contributed to a funeral at least once in the past 28 months. In Diepsloot, 76% had this happen during the same period of time. In Lugangeni, a huge 90% of households contributed to at least one funeral of a family member outside the immediate household. In Lugangeni, this happened 226 times across a sample of 60 households in 28 months.

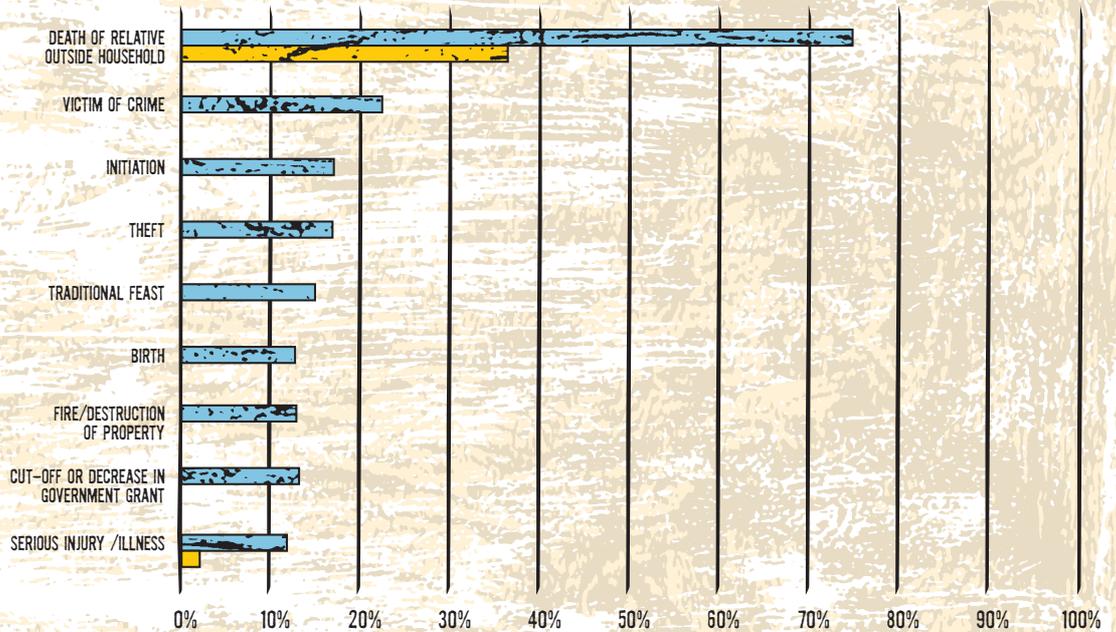
Moreover, this was the event which many households experienced more than once. In Langa, 36% of the households had this happen two times or more; 28% of Diepsloot households had this happen two times or more; and 73% of households in Lugangeni had to contribute to a relative's funeral two times or more, over 28 months. On average, households in Lugangeni paid for a total of four funerals over the course of 28 months.

One possible reason why there are so many funerals in Lugangeni is because people who die in the urban areas are often sent home to the rural areas to be buried. Villages are small, intimate places, and people are often inter-related. So one is obligated to attend and contribute to funerals quite frequently. Involvement in preparations for funerals is a regular and significant part of the lives of our respondents. It absorbs a great deal of time.



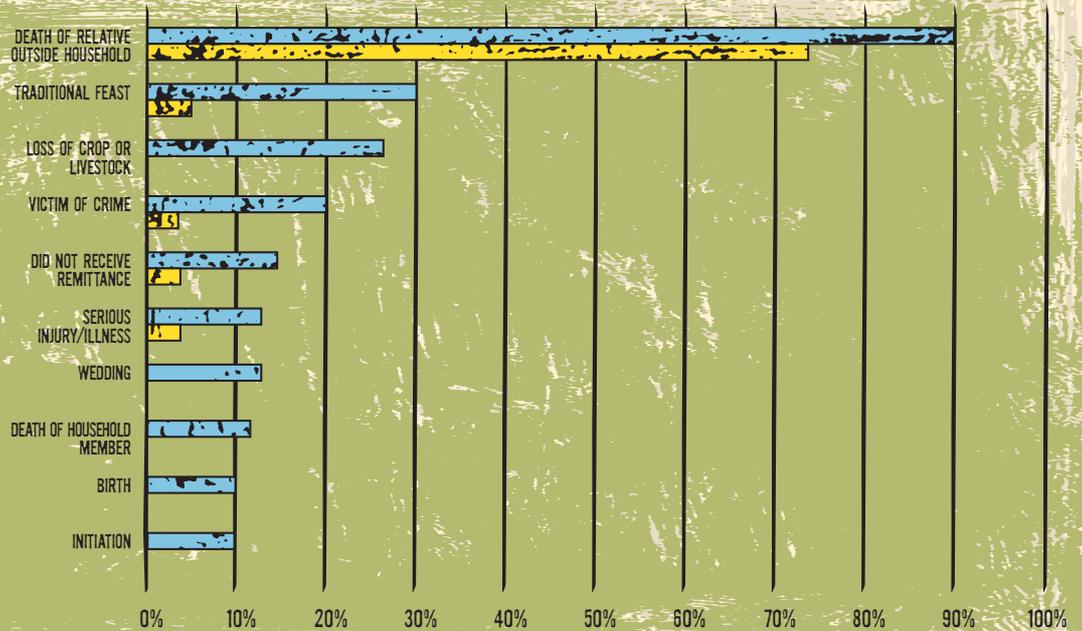
LANGA:
Events* experienced
in the last 28 months
(% of total sample)

At least ONCE
TWO or more



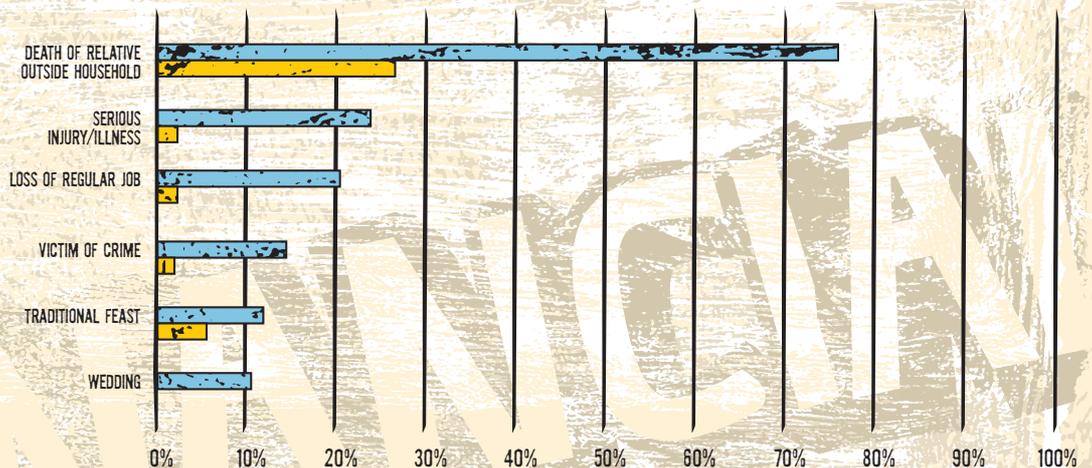
LUGANGENI:
Events* experienced
in the last 28 months
(% of total sample)

At least ONCE
TWO or more



DIEPSLOOT:
Events* experienced
in the last 28 months
(% of total sample)

At least ONCE
TWO or more



* These charts only include events that happened at least once to 10% of the sample or more. Other events include fire/destruction of property, missing a remittance, death inside the household.

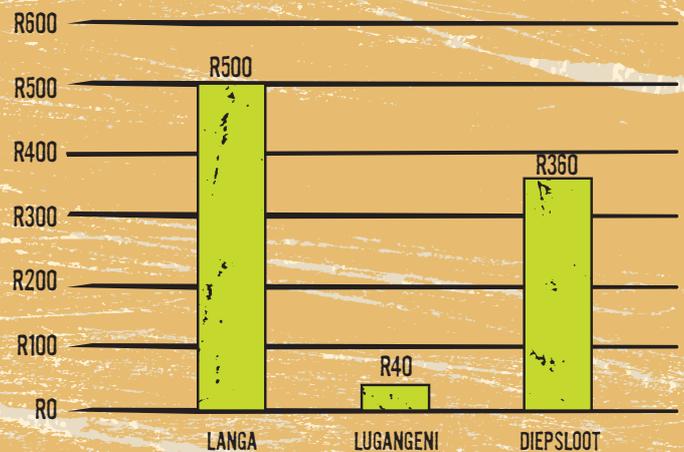
THE HEAVY COST OF FUNERAL CONTRIBUTIONS

Not only did funeral contributions happen frequently in the lives of our respondents, but they were often expensive, either absolutely or relative to income.

The charts on the previous page show the contributions in the rural areas are frequent. But the amount of each contribution is relatively small, while contribution amounts in the urban areas are much higher. In Langa, the median contribution was R500, in Diepsloot R360, and in Lugangeni R40.

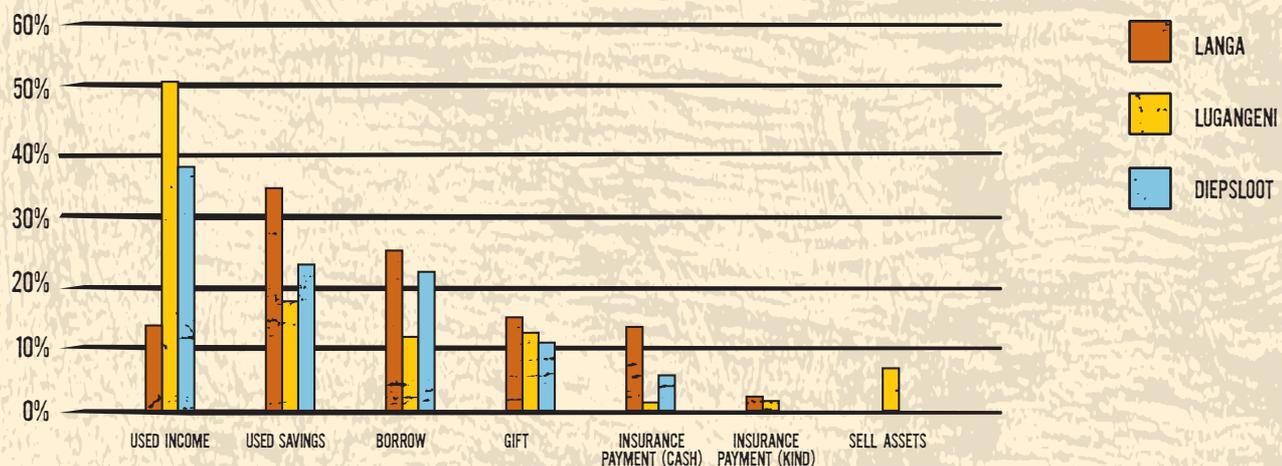
In the urban areas, funerals do not happen quite as frequently, but, with more people employed in the urban areas than in the rural areas, urban households are often called upon to contribute a substantial amount to the relative's funeral. In rural areas, these contributions can be comparatively small. However, they happened nearly four times more often.

Median expenditure on out-of-household funerals (Rand)



HOW DO HOUSEHOLDS COME UP WITH THE MONEY TO CONTRIBUTE TOWARDS FUNERALS OUTSIDE THE HOUSEHOLD?

Method of finance for out-of-household funerals (% of instances)



The chart above shows the methods of financing funeral contributions. In Lugangeni, many of the funeral contributions were from income – either grants, wages or pension payments. However, some households were unlucky enough to have a funeral every month and for a household living on one R740 old age grant, even a R20 contribution could break into other expenses or limit savings for other emergencies.

In all areas, most contributions of over R100 required some sort of savings instrument to be drawn on – either the bank or saving in the house. In the urban areas, where payments were much larger, savings, credit and

insurance instruments were used more often. In Langa, 25% of the time households needed to borrow to cover these costs. Rarely was the funeral of a relative covered by a burial society or funeral plan. Only 11% of the times where households needed to make a contribution were burial societies or funeral plans used.

A key question is how well prepared households are to deal with these events. This is where adequate savings and insurance devices can play a considerable role.

HOW DO HOUSEHOLDS COPE FINANCIALLY WITH FUNERALS WITHIN THE HOUSEHOLD?

We experienced 12 funerals of members WITHIN the households in the Financial Diaries study over the course of the study year. This is too few to generalise about how households managed their finances to pay for funerals.

Moreover, the circumstances of these funerals could be extremely tricky. In Diepsloot, on two occasions, the deceased was a husband who also had a family in the rural areas. In this situation, the rural family held the funeral

without the urban “wife” and, as we were interviewing the urban wife, we knew nothing about the funeral costs.

Lastly, the event of any death is particularly sensitive to the surviving members and we were sensitive to being too persistent in tracking cash flows for the funerals. However, we have two examples, one urban and one rural, from which we may gather some perspective on how households might pay for funerals. Both are two of the poorer households in the sample.

CASE STUDY 1: Urban funeral

Thembi* is a 50 year old woman living in a house she inherited from her parents. She has her own burial society and a stokvel that she contributes to, but she hasn't managed to accumulate much savings. She struggles with depression and a host of other chronic illness, such as high blood

pressure, and often must spend money on medication. Her brother, who lived with her, died from TB in June 2004.

When Thembi's brother died, she immediately informed her extended family and asked for money. She knew that her burial society would pay out R1000 but didn't know where the remainder of the money would come from.

SOURCES AND USES OF FUNDS FOR THEMBI'S BROTHER'S FUNERAL

SOURCES OF FUNDS		USES OF FUNDS	
Payout from burial society	1000	Undertaker	3500
Remittance from relative	1500	Tent	590
Remittance from relative	1000	Pots	225
Remittance from relative	1000	Food	4220
Rental of tent by relative	590	Sheep	650
Rental of cooking pots by relative	225	Total:	R9185
Purchase of sheep by relatives	650		
Borrow from aunt's burial society (no interest)	1000		
Borrow from cousin's umgalelo (30% per month)	600		
Borrow from cousin (no interest)	700		
Money from grant	600		
Brother's money	320		
Total:	R9185		

The table above shows a consolidated set of accounts for the funeral. Note that of the sources of funds for the funeral, only 11% came from the burial society. The lion's share (76%) of the costs was taken up by relatives. Yet still, Thembi needed to find an additional R3200 from her income or from borrowing.

For someone living on a disability grant of R740 per month, plus a part-time job which pays about R360 per month, this was a burden. Also note that 53% of the cost of the funeral goes towards food.

* Names have been changed to protect the identities of the respondents.



CASE STUDY 2: Rural funeral

Xoliswa's mother, Busisiwe, died in April 2004. Prior to her death, Busisiwe's old age grant of R740 per month was being used to feed all five members of the household – Busisiwe, Xoliswa and three children. Added to the expense of the funeral was a loan of R700 from the owner of the local spaza that they had taken during Busisiwe's illness to pay doctor's fees. This loan had to be settled.

For the funeral, they spent a total of about R15000. The funeral plan with the undertaker paid out about R3000 cash and covered the cost of the coffin, undertaker's fee and collecting the body. Another burial society paid out R1000. She also received payouts from two stokvels Busisiwe belonged to, worth a total of R1000. The relatives gave her 13 goats, 10 of which were slaughtered for the funeral. They saved the other three goats for the umkhululo (see below) in

May 2004. The relatives also gave about R1800 in cash. They spent about R3000 on other food (rice, vegetables) and saved the rest for the umkhululo.

The burial society payout was 44% of the total cost of the funeral. Contributions from relatives again took the lion's share of the cost (49%). The stokvel payments made up the rest. Notice that again, a large portion (60%) of the cost of the funeral is for food.

In addition to the funeral, a month later they needed to give a traditional feast to take off the mourning clothes, an event called umkhululo. They had this feast in May, which necessitated another complicated set of transactions and expenses. They took the three remaining goats, and used R900 to buy two more goats, which they exchanged for a cow. The relatives also contributed another R1600. The event required them to spend about R1100 for food.

SOURCES AND USES OF FUNDS FOR BUSISIWE'S FUNERAL

SOURCES OF FUNDS		USES OF FUNDS	
13 goats from relative	5850	Slaughtered 10 for funeral	4500
Contributions from relatives	1800	Slaughter 1 cow for funeral	2000
Burial society	1000	Spent on food for funeral	2900
Payout from undertaker	3000	Coffin/fees, etc.	3000
Coffin/fees, etc.	3000	Saved 3 goats to exchange	1350
Stokvel payouts	1000	Saved for umkhululo	1800
	R15650		R15550

SOURCES AND USES OF FUNDS FOR THE UMKHULULO

SOURCES OF FUNDS		USES OF FUNDS	
Exchanged 3 goats	1350	Paid back to store owner	700
Contributions from relatives	1600	Slaughter cow (change for 5 goats)	2250
Saved money	1800	Bought 2 goats	900
	R4750	Bought food	1100
			R4950

FURTHER RESEARCH TO COME

Although several studies have been undertaken addressing the connection between finances and funerals, a number of questions remain:

1. Burial societies were only used rarely to cover the cost of an **out-of-household** funeral. How often do households ever make an attempt to cover non-household relatives in their burial society or funeral plan?
2. Are burial societies more effective at covering the costs of funerals than funeral plans?
3. How might households more effectively use savings instruments to cover the costs of **out-of-household** funerals?

