financial health guide

Contents

Becoming financially healthy

Being financially healthy isn't about how much money you earn. It's a state of financial well-being. The details look different for different people, but the principles are the same. Becoming financially healthy isn't a once-off event. It's a series of small financial steps and decisions, which over time become valuable.

4 key elements of financial health

Security	
Control your daily and monthly spending (spend less than you earn)	**Ability to cover financial shocks without debt** (e.g. major repair, medical emergency, temporary job loss)
Capacity to work towards financial goals (e.g. save towards a holiday, invest towards retirement)	**Freedom to make choices to enjoy life** (e.g. changing jobs or taking a class that brings you joy)
Freedom	

Source: Adapted from the Consumer Financial Protection Bureau

Being in control of your money gives you greater control over your life. It can give you the security and freedom to build the life you want. But most of us don't get a manual for managing our money, and we often don't know what practical steps to take or where to start. This booklet is designed as a guide to get you started on your financial health journey.

Goal setting

To get started, you need to know what you're working towards. Setting your goals is your first step.

We often set goals for things that we think other people expect from us, for a life that society expects us to live. The problem is that those are mostly money goals. There is a difference between an end goal or dream goal and a money goal. Our dream goals truly lead to happiness, while money goals just get us closer to what really makes us happy.

If we start by focussing only on our money goals, we often miss out on the opportunity to be truly satisfied and happy. Your first step, or starting point, should be setting your dream goals, and then working towards achieving them. Dream goals can be divided into 3 categories: experiences, growth and contribution.

Experience

Think about the most beautiful experiences that would really give you joy. These could include falling in love, raising children, playing with your grandchildren, travelling, creating something, and learning new things.

Growth

To be the person who can have these experiences, ask yourself who you need to become. To become the best version of yourself, write down a list of how you want to grow and the skills you want to learn. Your growth should be a goal in itself.

Contribute

Think how you could give back to the world, if you could have all these incredible experiences and be the best version of yourself. Giving is often one of the surest paths to happiness. It is a way you can make a difference in the world and find fulfilment.

Source: Adapted from author Vishen Lakhiani

My dreams

Experiences	Growth	Contribution

Setting your money goals

The second step is to decide on your money goals. These are the goals that will allow you to reach your dream goals and help you on your journey towards financial health. They should be specific and realistic as they will give direction to your money plan.

Making your money goals SMART

SMART goals are: **S**pecific, **M**easurable, **A**chievable, **R**ealistic and **T**imely.

For example, if your goal is, "I'm going to save up to buy a car" make this SMART:
"I'm going to save R80 000 to buy a second-hand VW Polo Vivo in 3 years' time. To do this, I'm going to save R2 055 a month at an interest rate of 5.4%." Now you know exactly what you are working towards and can track your progress.

Break down your goals into: short-, medium- and long-term goals.

Money goals

Look at Mandla and Thandiswe's money goals on page 12 to help you work out your own money goals.

Understanding compound interest

Before you create your money plan, there's one key money concept it pays to understand: compound interest.

Compound interest is what makes money grow. When you save money it can work for you and when you borrow money it can work against you.

Let your money make money

When you save, you earn interest on your savings. The higher the interest rate, the more interest you earn. If you don't withdraw the interest, you will start to earn interest on your original savings plus this extra money that you have earned. In other words, you'll start to earn interest on your interest.

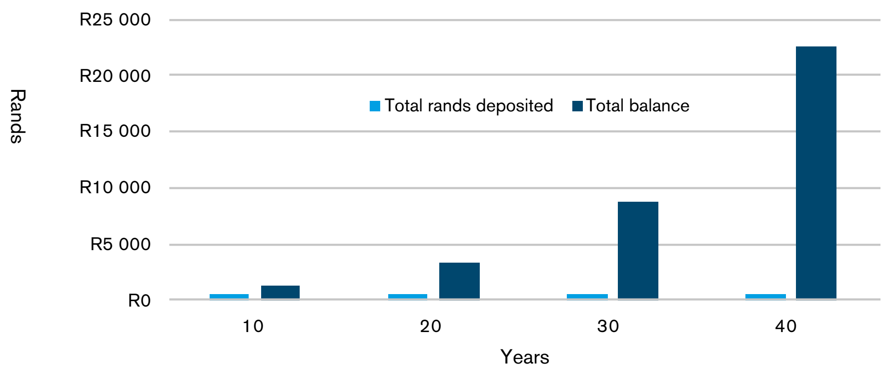
This is known as compound interest. This growth may not seem like much at first, but over time, compound interest can make seemingly impossible goals achievable.

Example 1: Turn R500 into R22 000

You deposit R500 into an account earning 10% interest a year, compounding annually. This means your total interest is added to your account balance once at the end of 12 months. You never withdraw the interest you earn.

After one year you would earn R50 in interest. In year 2, you will earn interest on R550, so you will earn R55. Your total at the end of year 2 will be R605.

Compound interest (10% per year)



End of year	Total rands deposited	Total balance
10	R500	R1 297
20	R500	R3 364
30	R500	R8 725
40	R500	**R22 630**

notes

The longer you can leave your savings, the bigger they will grow. Never think you have too little to bother saving. Every rand is worth far more than you realise.

Actual interest rates will vary depending on the account you save in, your opening balance, the time you invest for and the interest rates available at the time.

The more frequently your interest is compounded, the faster it will grow.

notes

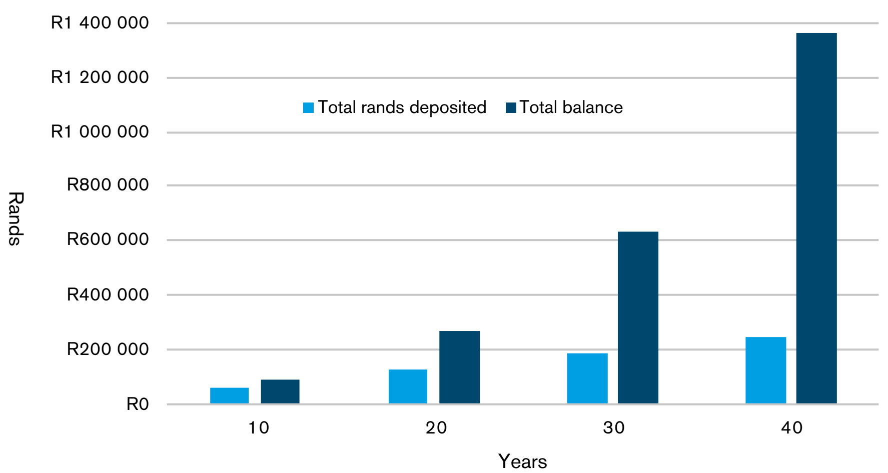
Example 2: How to be a millionaire

Now let's say you decide to save R500 every month. You invest it in an account earning 7% interest per year, compounding monthly. This means that interest is added to your account at the end of each month at a rate of 7% ÷ 12. You never withdraw the interest you earn.

In year 1, you will deposit a total of R6 000 over the year and earn R232.44 in interest.

By the end of year 40, you'll have invested a total of R240 000, but your total account balance will be just over R1.3 million!

Compound interest (7% per year)



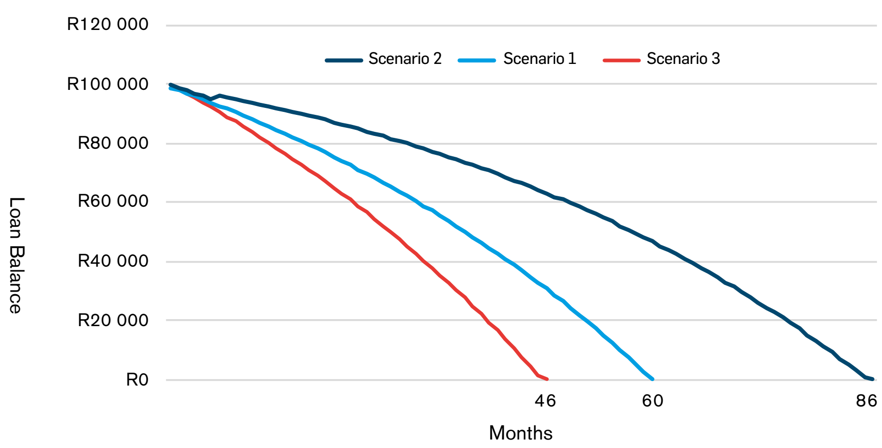
End of year	Total rands deposited	Total balance
10	R60 000 (R500 x 120 months)	R86 542
20	R120 000 (R500 x 240 months)	R260 463
30	R180 000 (R500 x 360 months)	R609 959
40	R240 000 (R500 x 480 months)	**R1 312 407**

Compound interest and debt

When you borrow money, you pay interest in exchange for the benefit of using credit. The interest charged on debt is usually higher than the interest you earn when you save. As a result, debt can compound more quickly than savings, which can make it very expensive over time. It is critical to understand this when we decide how and why to use credit.

To demonstrate how compound interest works, let's consider 3 repayment scenarios for a personal loan of R100 000. In this example, the interest rate is 20% and the term of the loan is 60 months (5 years). The minimum repayment each month is R2 649. All fees are excluded for the below scenarios.

3 repayment scenarios



		Total borrowed	Total repaid	Months to repay
Scenario 1	Minimum repayment is paid every month for the duration of the loan.	R100 000	**R158 963**	**60**
Scenario 2	In month 6, the borrower misses a payment. From month 7 they reschedule the loan and the monthly repayment is reduced to R2 200 per month for the remaining duration of the loan.	R100 000	**R 188 051**	**86**
Scenario 3	From month one, for the duration of the loan, the borrower pays R500 more than the minimum repayment every month. (R2 649 + R500 = R3 149 monthly repayment)	R100 000	**R 143 541**	**46**

Creating a money plan

Once you have chosen your money goals, you can work out a money plan to reach them.
Steps to make your money plan work for you:

1. Set your money goals
2. Understand your income
3. Understand your expenses
4. Categorise your expenses as fixed or variable
5. Identify unnecessary expenses
6. Draw up a plan to cut unnecessary expenses
7. Track your money plan

Why is a money plan important for your financial health?

It helps you to manage your spending so that you have more money available for saving and unexpected costs. Once you take control of your spending, you can save and plan for the future and start building wealth.

Note:
Include the income, expenses and obligations of all the members of your household when compiling your household money plan.

Use the following example of the household money goals and money plan Mandla and Thandiswe have, to help you work out your own money plan.

Mandla and Thandiswe

Mandla (30) and his wife, Thandiswe (28), have 2 children in primary school. He works for a national employer and earns a net salary of R14 000 per month; this is after tax, medical aid and UIF have been deducted. Mandla also contributes to a retirement fund through his employer. Thandiswe earns R7 000 per month after deductions. She does not contribute to a retirement fund through her employer.

Mandla pays off R1 500 per month on a 48-month personal loan, which he took up just over 2 and a half years ago to finance 50% of the purchase price of a second-hand car. He saved carefully for 3 years until he was able to pay 50% of the purchase price of a reliable car. Mandla also has a credit card with a low balance and repays R200 per month. Thandiswe doesn't have any debt.

The rest of their expenses are split between fixed and variable expenses. Fixed expenses are costs that don't change. Variable expenses are those expenses that can differ every month. Mandla travels to and from work in his car for one week of the month as he is also in a lift club consisting of 4 individuals. Thandiswe and the children make use of public transport for work and school.

Thandiswe's mother, who is a pensioner, takes care of the children after school. They pay her R1 000 per month. She lives nearby.

notes

Fixed expenses:

Rent
R3 500

School fees
R2 000

Funeral cover
R100

Car insurance
R400

Life insurance
R500

Thandiswe's mother
R1 000

Personal loan
R1 500

Variable expenses:

Groceries
R3 000

Transport
R1 400

Electricity
R300

Clothing
R1 000

Cellphone (pre-paid)
R600

Bank costs
R100

Credit card
R200

Mandla (30)
R14 000

R21 000 income

Thandiswe (28)
R7 000

Creating a money plan (continued)

Thandiswe saves R700 (10% of her income) per month towards retirement. Since her employer does not contribute or deduct retirement contributions on her behalf, she makes sure that she pays this every month with a debit order that goes off her bank account directly after her salary is paid into the account.

Mandla and Thandiswe also save R1 200 every month for an emergency fund. Their emergency savings goal is R42 300, which will cover 3 months' expenses in case of unplanned events or a crisis. They have already saved a total of R28 000.

A year ago they also started saving R2 000 per month for a deposit of R200 000 to buy a house. They want to apply for a mortgage loan in 3 years' time.

They also pay R500 per month extra into Mandla's personal loan whenever they can. By paying back the loan quicker, they will save on the total cost of credit. R500 extra each month will also help Mandla to repay the loan in 12 months instead of the remaining 17 months.

In about a year Mandla and Thandiswe will have repaid the personal loan and reached their emergency savings goal. Then they will be able to add the extra money (that they currently pay into the emergency savings fund and on the personal loan) to their monthly savings for a home loan deposit. This will add R3 200 to their deposit per month and will help them to reach their goal within 3 years.

They know this will be difficult, but are determined, and plan to increase their monthly savings annually when they get their salary increases.

Mandla and Thandiswe make sure that they track their monthly expenses to allow for some family fun. They have R1 000 available for non-essential expenses, such as entertainment, after their necessary expenses and savings have been taken care of.

This is what Mandla and Thandiswe's money goals look like:

Short | 0 – 24 months	Medium | 3 – 5 years	Long | 10 years +
Goal Achieve emergency savings goal of R42 300 in a year. **How?** Continue to save R2 000 every month. **Goal** Pay off personal loan in next 12 months. **How?** Pay R500 extra per month.	**Goal** Reach house deposit goal of R200 000 in 3 years. Get a home loan to buy first home in 3 years. **How?** Increase monthly savings by R3 200 to R5 200 when personal loan and emergency savings goals are reached. Increase monthly savings when salaries increase. Maintain a good credit record by meeting commitments on time and using credit wisely.	**Goal** Pay off home loan. Grow retirement savings. Plan for children's college or university education. **How?** Review budget regularly to plan for the long-term. Increase monthly debt repayments or savings when salaries increase.

Look at Mandla and Thandiswe's money plan to help you work out your own money goals and money plan. The first step is to understand your current position by categorising your income and expenses in the columns of the money plan.

Once you understand your current position, you can complete the budget column. Cut back on unnecessary expenses to make more cash available for your financial goals. It is usually easier to cut back on variable expenses than fixed expenses.

Create your own money goals:

Short | 0 – 24 months	Medium | 3 – 5 years	Long | 10 years +

Spend smarter

- Cut back on wants
- Track your expenses regularly and revise your money plan where needed
- Review expenses:
  - Eliminate anything you don't use (such as a gym contract)
  - Compare quotes from insurance providers to see if you could get the same cover for less
  - Reduce usage to save on costs such as electricity and data
  - Cut back spending on takeaways and entertainment
  - Bank smarter to reduce your fees
- Commit the entire family to spending smarter by sharing your money goals with them

Bank smarter

Look at your bank fees and see how you can reduce the total by:

- Drawing cash less often
- Paying by debit card
- Using cellphone banking

Supporting family

It is a blessing to be able to support family members. Talk to your family about your financial position and what you can and can't afford. Only commit to a monthly contribution that you can manage within your budget.

Think about how your money goals may benefit your family (for example, studying further could lead to an increase in your income in the future, benefiting everyone). Remember, if you choose to get credit to support your family it could create significant financial stress and could mean that you have less money available in future.

Track your actual spend in the following month to see if you were able to stick to your budget and to help you make changes where needed.

Mandla and Thandiswe's money plan

Basic needs

What are my basic needs end goals?

**To look after our family and to meet their essential needs.
To ensure our children receive a good education.**

Salary	**R14 000**
Other income:	**R7 000**
Total income:	**R21 000**

Basic needs money goals		Expenses	Fixed/Variable	Actual	Budget	Track
Where can I cut down on my expenses?		Groceries	Variable	R3 000	R	R
		Clothing	Variable	R1 000	R	R
		Transport – taxi/bus/ train	Variable	R1 400	R	R
		Transport – fuel		R	R	R
		Rent	Fixed	R3 500	R	R
		Medical expenses	Variable	R	R	R
		School fees	Fixed	R2 000	R	R
		Bank fees	Variable	R100	R	R
		Levies		R	R	R
		Rates and taxes		R	R	R
		Crèche/Aftercare	Fixed	R1 000	R	R
		Electricity and water	Variable	R300	R	R
		Other		R	R	R
% income I aim to spend on basic needs	%	**Total**		**R12 300**	**R**	**R**
		% spent		**58,6%**	%	%

% income I aim to spend on basic needs	%	**% spent**		**15,7%**	%	%
		Total		**R3 300**	**R**	**R**
Where can I cut down on my expenses? **Paying off personal loan early to save more money for a deposit on a house.**		Loan repayment	Fixed	R1 500	R	R
		Repay credit card	Variable	R200	R	R
		Holidays		R	R	R
		Entertainment	Variable	R1 000	R	R
		Cellphone	Variable	R600	R	R
		TV licence/DStv		R	R	R
		Family donations		R	R	R
		Furniture account		R	R	R
		Clothing account		R	R	R
		Other		R	R	R
		Other		R		
Lifestyle money goals		**Expenses**	**Fixed/ Variable**	**Actual**	**Budget**	**Track**

Lifestyle

What are my lifestyle end goals?

To have fun as a family and contribute to the community.

Total income:	**R20 000**
Total expenses:	**R**
Income – Expenses =	
Money left or shortfall	**R1 000**

Wealth creation

What are my wealth creation end goals?

We want to create a loving home for our family and one day retire financially independent so that we can experience new things.

Track	Budget	Actual	Fixed/Variable	Expenses	Wealth creation, money goals
R	R	R		Bond	Where can I increase my wealth?
R	R	R		Pension fund	
R	R	R1 200	Fixed	Emergency savings	**Buy a home for our family.**
R	R	R700	Fixed	Retirement	
R	R	R		Education	
R	R	R		Investments	
R	R	R2 000	Variable	House deposit	
R	R	R500	Variable	Loan payment	
R	R	R		Financial goal	
R	R	R		Financial goal	
R	R	R		Stokvel	
R	R	R		Other	
R	R	R		Other	
R	R	R		Other	
R	**R**	**R4 400**	**Total**		%
%	%	**21%**	**% spent**		% income I aim to spend on wealth creation

%	**%**	**4,8%**	**% spent**		% income I aim to spend on wealth creation
R	**R**	**R1 000**	**Total**		%
R	R	R		Medical aid	Where can I increase my protection?
R	R	R400	Fixed	Life cover	
R	R	R200	Fixed	Funeral cover	
R	R	R400	Fixed	Car insurance	
R	R	R		House insurance	
R	R	R		Household insurance	
R	R	R		Other	
R	R	R		Other	
R	R	R		Other	
R	R	R		Other	
Track	**Budget**	**Actual**	**Fixed/Variable**	**Expenses**	**Protection money goals**

Protection

What are my financial protection end goals?

To know that our family is protected when unexpected events occur, or tragedies happen.

My money plan

Basic needs

What are my basic needs end goals?

Salary R

Other income: R

Total income: R

Basic needs money goals		Expenses	Fixed/Variable	Actual	Budget	Track
Where can I cut down on my expenses?		Groceries		R	R	R
		Clothing		R	R	R
		Transport – taxi/bus/ train		R	R	R
		Transport – fuel		R	R	R
		Rent		R	R	R
		Medical expenses		R	R	R
		School fees		R	R	R
		Bank fees		R	R	R
		Levies		R	R	R
		Rates and taxes		R	R	R
		Bank fees		R	R	R
		Crèche/Aftercare		R	R	R
		Other		R	R	R
% income I aim to spend on basic needs	%	**Total**		**R**	**R**	**R**
		% spent		%	%	%

% income I aim to spend on basic needs	%	**% spent**		%	%	%
		Total		**R**	**R**	**R**
Where can I cut down on my expenses?		Loan repayment		R	R	R
		Repay credit card		R	R	R
		Holidays		R	R	R
		Entertainment		R	R	R
		Cellphone		R	R	R
		TV licence/DStv		R	R	R
		Family donations		R	R	R
		Furniture account		R	R	R
		Clothing account		R	R	R
		Other		R	R	R
		Other				
Lifestyle money goals		**Expenses**	**Fixed/ Variable**	**Actual**	**Budget**	**Track**

Lifestyle

What are my lifestyle end goals?

Total income: R

Total expenses: R

Income – Expenses =

Money left or shortfall R

Wealth creation

What are my wealth creation end goals?

Track	Budget	Actual	Fixed/Variable	Expenses	Wealth creation, money goals
R	R	R		Bond	Where can I increase my wealth?
R	R	R		Pension fund	
R	R	R		Emergency savings	
R	R	R		Retirement	
R	R	R		Education	
R	R	R		Investments	
R	R	R		Financial goal	
R	R	R		Financial goal	
R	R	R		Financial goal	
R	R	R		Financial goal	
R	R	R		Stokvel	
R	R	R		Other	
R	R	R		Other	
R	R	R		Other	
R	**R**	**R**	**Total**		% % income I aim to spend on wealth creation
%	%	%	**% spent**		

%	**%**	**%**	**% spent**		% % income I aim to spend on wealth creation
R	**R**	**R**	**Total**		
R	R	R		Medical aid	Where can I increase my protection?
R	R	R		Life cover	
R	R	R		Funeral cover	
R	R	R		Car insurance	
R	R	R		House insurance	
R	R	R		Household insurance	
R	R	R		Other	
R	R	R		Other	
R	R	R		Other	
R	R	R		Other	
Track	**Budget**	**Actual**	**Fixed/Variable**	**Expenses**	**Protection money goals**

Protection

What are my financial protection end goals?

Tips

Remember the following when setting up your money plan:

- If you earn a variable income, plan for this by taking the average net income into your bank account over the last 6 months. Ignore annual bonus months
- Yearly expenses: Make a list and spread the cost over 12 months. These expenses may include your TV licence and car licence and service
- Replacement expenses and repair work: Plan for these by setting money aside each month for things that may need to be replaced or repaired someday, such as your fridge
- Speak to a Financial Sector Conduct Authority (FSCA) registered financial adviser to help you determine how much you should save monthly to meet your retirement goals. Also put money aside for emergencies and your other goals
- If you have money left, consider increasing your savings if you are not yet saving enough. You can also spend it on wants, but before spending on wants, think about your money goals first
- If you have a shortfall, it means you spend more than you earn. Have a look at your expenses, especially your variable expenses. Check if there are unnecessary expenses and see where you can cut back on wants

Credit

Using credit wisely and responsibly

notes

Almost everyone uses credit at some point in their lives, so it's important to understand how to use it. In exchange for the benefit of using credit, you don't just pay back the amount that you borrowed, you also pay interest. This is what makes credit expensive. Only use credit for things which will benefit you in the long term and when you have planned for it in your money plan.

Why?

Using credit wisely can help you to:

- build a good credit record to improve your chances of getting credit when you need it most and at better interest rates, e.g. when buying a house
- be in control of your financial life
- have more money available for your money goals

Not using credit wisely can lead to:

- stress and worry, which can have a negative impact on your family and work life
- not qualifying for credit in the future because of a bad credit record
- over-indebtedness
- your assets being repossessed

Applying for credit

Answer these questions:

- Is applying for credit the only way I can get what I need? y n
- Will the loan uplift me financially, getting me closer to achieving my long-term goals? y n
- As the first step to knowing my financial health, do I know what my credit report looks like? y n
- Looking at my current budget, will I be able to repay the instalments on time, every time, for the duration of the credit agreement? y n
- Can I afford to pay the monthly instalment after deducting necessary living expenses, insurance and my savings contributions? y n
- Is my income and employment stable? y n
- Do I know the exact amount I need before applying for credit? y n
- Do I understand the full amount I'll need to pay back when I add all the fees and interest? y n

If you answered 'no' to any of these questions, you might need to rethink your decision to get credit.

Credit can be beneficial if it is used to invest in your future, e.g. paying for your studies, buying a car that is necessary for your work, buying a house or doing home improvements.

Large purchases, such as properties or cars, are regularly bought on credit after saving for a deposit. But before applying for credit, you must consider a few things.

What is the total cost of credit?

The total cost of credit is the total amount that you have to pay on a credit agreement over the lifetime of the agreement. It includes the:

- original amount borrowed
- interest charged on the amount borrowed
- initiation fee
- service fees
- credit insurance

For a term loan

Monthly instalment **x** Number of months over which the loan must be repaid **=** Total cost of credit

notes

Your affordability

Use your money plan to check your affordability.

your income

R

Income* after salary deductions such as tax, policies and medical aid.

*If you receive a variable income, calculate the average net income received into your bank account for the last 6 months.

–

living expenses

R

Deduct all your necessary living expenses.

–

other payments

R

Deduct all other payment obligations such as existing debt repayments, insurance and savings.

=

affordability amount

R

This is the amount of money left to repay the credit. When you know how much money you can spend on repayments, you'll know how much credit you can afford. Remember that you may need to give up on certain wants when you apply for credit.

notes

4 steps to find the best offer for you

Look at your money plan to see what you can afford to pay each month. You shouldn't have to compromise on any necessary living expenses, existing payment obligations and savings in order to afford the debt.

1

Not all credit providers charge the same. Compare the options and decide what will work for you. Never take more credit than you need. Always be completely honest with the credit provider about your finances.

2

Make sure you understand the total cost of credit over the term of the agreement.

3

Make sure that the credit provider is reputable and registered. This is important because it means that they comply with the law and will respect and protect your rights as a consumer.

4

notes

Credit rights

You have the following credit rights under the National Credit Act:

- The credit agreement must be clear and easy to read
- A pre-agreement quote is valid for 5 days
- You are entitled to know why your credit application was unsuccessful
- Taking up credit with a registered credit provider means that you have protection against reckless lending
- Credit provider fees and interest are regulated
- You can get help if you are over-indebted
- You are entitled to one free credit report once a year from the credit bureaus

NCR (National Credit Regulator)
Contact them if you are unsure about your rights **0860 62 76 27**

notes

Your credit agreement

Check if the following is in your credit agreement

notes

General:

Payments – When and how payments will be made, the number of payments, and the date of the first and last payments

Statements – How often and in which way statements will be delivered

Insurance (if applicable) – All insurance information, including what will and won't be covered

Default administration costs – When and how it will be deducted

Addresses for receiving documents – Include personal details of all parties

Penalty interest – Information about the interest charged on late payments

Marketing option – The option to be excluded from telemarketing campaigns, marketing or consumer lists

Annual credit limit increases – Discuss automatic increases of credit limits for credit facilities

Credit bureaus – Information on the reporting of your information

Your rights:

Consumer's right to cancel – Specifies the conditions of a termination, including the surrender of goods

Early settlement – States your rights and obligations should you choose to pay your loan early

The right to apply for debt relief – If you can't keep up with your payments, you can consider debt relief alternatives, such as voluntary surrender, debt rescheduling, debt review, debt administration or voluntary sequestration.

Credit provider's rights:

The right to terminate – Specifies the conditions of such a termination

Right to recover goods and to enforce the agreement

Repaying credit

If you are currently repaying debt, you are definitely not alone. Repaying credit is often the fastest way to improve your financial health, and is therefore a good first money goal. This is because the interest you are charged on credit is usually higher than the interest you earn when you save.

If you can add even a little extra to your credit instalment each month, you will pay less interest over time and your debt will begin to decrease more quickly:

Step 1: List all of your accounts, their balances and interest rates.

Step 2: Using your money plan, calculate how much extra you can add to your total minimum credit repayments, after reviewing your expenses.

Step 3: Keep paying all of your minimum repayments. Add the additional money you have identified to the repayment on one account. Start with the account with the smallest balance, or the one with the highest interest rate. Keep doing this until the account is completely paid off. Then move on to the next account. To illustrate, we show an example, starting with the smallest balance first.

Smallest balance first

Here's how to tackle R36 000 of debt using the smallest balance first approach – the 'snowball method'.

Let's assume you have the following 4 outstanding credit balances:

Account and balance	Minimum repayment	Interest rate	Term remaining
R2 000 clothing account	R200	19.5%	11
R4 000 store account	R400	19.5%	11
R12 000 personal loan	R500	20.2%	31
R18 000 credit card debt	R1 000	15.0%	21

Total owed: R36 000

Using the snowball method, you would make the minimum payment on all of your accounts.
To one you would add the extra money you've identified through reviewing your money plan.
In this case, let's say you've found an extra R500.

Using R500 extra a month, here's how to pay off all your debt in 16 months, instead of 31 months.

Months	Increased repayment	Time saved on repayment	Interest saved
1 – 3	Increase the repayment on your clothing account by R500 to R700 per month. The account is fully paid off at the end of 3 months. You now have R700 a month to add to the store account repayment.	8 months	R135
4 – 6	From month 4, add R700 to the R400 monthly payment on your store account. Repay R1 100 each month for 3 months. The account is now fully paid off.	5 months	R128
7 – 13	From month 7, you can then add R1 100 a month to the R500 minimum repayment on your personal loan. Pay R1 600 a month for 7 months and the account is fully paid off.	18 months	R1 719
14 – 16	From month 14, you can then add R1 600 to your R1 000 minimum repayment on your credit card balance. Pay R2 600 a month for 3 months until the account is paid off. **You are debt-free!**	5 months	R238
Month 17 and onwards	You can begin saving R2 600 a month towards your goals and dreams.	Total time saved: 15 months	Total interest saved : R2 219

Saving

To work towards your money goals and your dreams, you need to consistently set aside part of the money you earn. You can make this money work for you by saving and investing it.

Speak to an FSCA registered financial adviser to help you decide what products to use for your savings, and on how much you need to save or invest to reach your goals. Once you have determined how much to save and where to save or invest it, set up stop orders at the start of the month. This way you ensure you can't accidently spend the money on something else.

To build your secure foundation, your first savings priorities should be to save for emergency expenses and contributing to a retirement savings plan.

Save for emergencies

No matter how carefully we plan, life still happens. Whether it's a big repair, a medical emergency, or a job loss – sometimes we need extra money quickly to deal with an emergency.

It's recommended that you save enough to cover between 3 and 6 months of household expenses to cover emergencies without using credit. For example, if you need R5 000 a month to cover all of your expenses, you need to save at least R15 000 for emergencies.

Having this buffer gives you confidence and peace of mind and protects you from using expensive debt or your long-term savings when something unexpected happens.

Retirement saving

Saving enough to retire is a goal that will take your working life to accomplish. If you haven't begun saving yet, now's the time to start. Speak to an FSCA registered financial adviser to make an informed decision on how much to save and which product is best suited to your needs.

Some employers help you save for retirement by deducting a percentage of your salary each month and investing it towards your retirement. Don't cash out these retirement savings when you change jobs. To get the most out of your savings you must leave them to grow over time.

If your employer doesn't contribute on your behalf, it is your responsibility to ensure that you save enough for retirement.

notes

Save smarter

What to save for:

retirement	unforeseen events	financial goals
60+ retirement	medical	house deposit
	accidents	education
	RIP death in family	car

Tips

- Compare interest rates for similar products to choose the product best suited to your needs
- Arrange a stop order or debit order for your savings
- Track your savings

notes

Protect your money

bank card and PIN

- Use your card instead of cash for purchases
- Watch out for card skimming
- Avoid suspicious ATMs
- Report lost/stolen cards immediately
- Get SMS transaction notifications

- Never share your secret PIN with anyone
- Memorise your PIN; never write it down
- Only give your bank details when you know who is asking for it
- Don’t give your card to anyone

notes

A formula for financial health

In summary, here are the practical steps required for building financial health.

Set SMART money goals

Use the goal setting template (page 13) to your SMART money goals.

Create a money plan

Use the money plan template (page 16) to create your own money plan.

Review and cut back your expenses

Eliminate anything unnecessary. Reduce anything excessive. Request comparative quotes for fixed expenses, and change service providers where necessary.

Track your spending

Stick to your money plan by tracking your spending each month, and adjusting where necessary.

Repay debt

Prioritise debt repayment.

Save every month

Only the money we save can grow over time to help us reach goals and dreams.

Allow your savings to grow

Save and invest for growth – don't dip into your savings unnecessarily, leave them to grow over time.

Start today

It is a common misconception that your income level and the things you own define your wealth. But a person with a large income, living an expensive lifestyle, often has limited ability to build security and achieve big dreams. People who earn less but save more each month can experience greater well-being in their lives than those who earn a larger income.

The more you understand about money, the more you can make it work for you. We encourage you to keep learning. There are many online resources and books available to inspire and empower you.

Only you can control the choices you make with your money and whether or not they're taking you closer to your biggest dreams. It's never too early or too late to start getting financially healthy, so start applying the principles in this guide today.

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