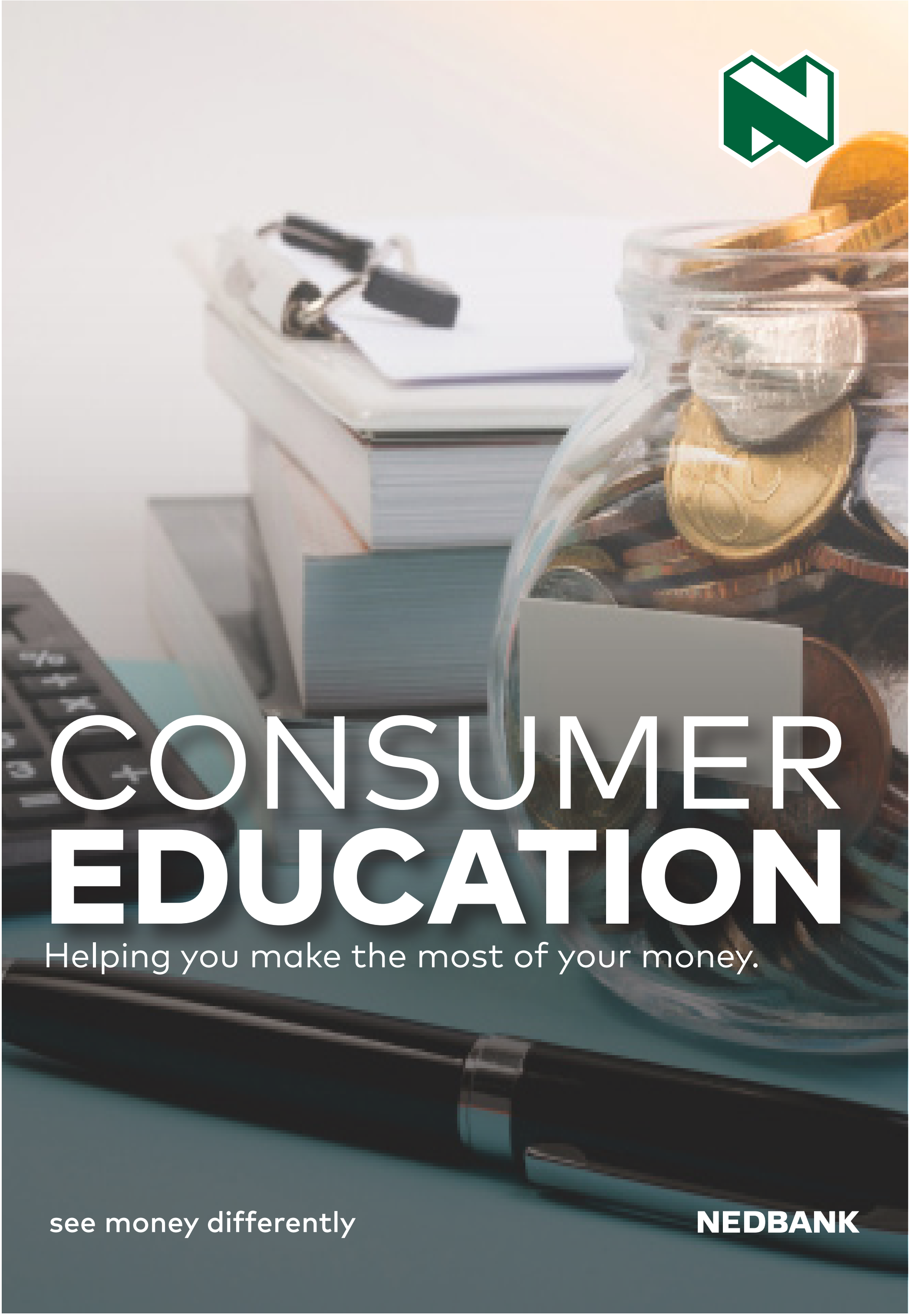

CONSUMER EDUCATION

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CONTENTS

01

MAINTAINING FINANCIAL HEALTH

HOW HEALTHY ARE YOUR FINANCES?
ARE YOU IN SHAPE TO SECURE YOUR FINANCIAL WELL-BEING AND ACHIEVE YOUR GOALS?

Money gives you access to services and products, provides you with choices and opportunities, and can bring you a sense of security and peace of mind.

Financial health often exists when the money coming in is greater than the money going out; all necessary expenses are paid for, and saving and investments are possible. It means that your financial position is sound in that enough resources are available for meeting your financial obligations and realising your financial goals. This is achieved through proper planning, investment and the efficient use of the resources and money at your disposal.

This state of health can be created, maintained or lost, and financial planning plays an important role.

Financial health has many foundations, including the **amount of savings** you have, how much you have for your **retirement**, and how much you **spend** every month on regular and other expenses. But it also has another element: your physical, mental and social well-being. Is it not true that your finances and the resources available to you have a direct impact on your overall health and happiness?

THERE ARE FACTORS THAT INFLUENCE FINANCIAL HEALTH

These factors include:

- Personal characteristics – factors such as age or marital status.
- Financial literacy – how well you understand financial concepts, for example credit and affordability.
- Financial behaviour – including financial planning and saving.
- Stressors – such as losing your job or being bankrupt.
- Financial situation – where you are in terms of income, benefits and home ownership.

BENEFITS OF FINANCIAL HEALTH

- Achieve future goals
- Prepare for retirement
- Access to credit when you need it

CONSEQUENCES OF NOT BEING FINANCIALLY HEALTHY

- Negative economic and social consequences
- Stress, which can lead to physical health problems
- Lack of further access to credit

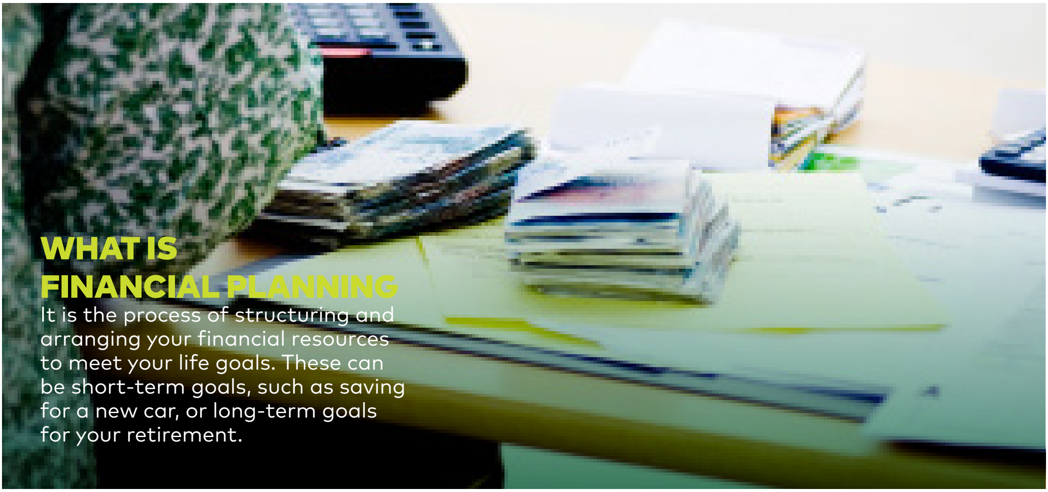
CREDIT HEALTH TIPS

Ten habits to help you be financially healthy:

1. Save, save, save.
2. Curb your impulse spending.
3. Cut unnecessary expenses.
4. Have insurance to secure your family's future and your property.
5. Avoid taking on more debt than you can afford.
6. Pay off more than the minimum, whenever possible.
7. Develop strategies to achieve goals.
8. Have an emergency fund available every month.
9. Get educated on credit and financial concepts.
10. Believe you deserve it and make a plan to pay yourself (save) first.

The first step in achieving financial wellness is measuring your current financial position. Then, you need to take steps to maintain or improve your current situation. This entails setting personal or financial goals for yourself and your family. It also involves changing how you think about and handle money.
You need to understand where your money comes from and where it's going.

You will need to draw up a financial plan or budget, and keep a journal or diary where you track or write down all your expenses. This guide will provide you with all the knowledge and skills needed to assist you on your journey towards financial wellness.



WHAT IS FINANCIAL PLANNING

It is the process of structuring and arranging your financial resources to meet your life goals. These can be short-term goals, such as saving for a new car, or long-term goals for your retirement.

THE TRUTH ABOUT FINANCIAL PLANNING

Financial plans are only for people with so much money that they don't know what to do with it, right? Actually, financial planning can help individuals at any income level. You are also never too young or too old to start financial planning because using a plan will help you to avoid or stop making financial mistakes.

A comprehensive financial plan will include savings and investments; planning for retirement, education, emergencies and major purchases; insurance needs and other financial goals. However, as important as planning for the future is, most South Africans don't save, and they borrow more than they save and earn.

Remember, saving is an important part of financial health and planning, as this is how you deal with emergencies, pay for major purchases or your children's education, and invest for your retirement. In fact, every year, the Minister of Finance addresses the poor saving habits of South Africans in the annual budget speech.

TAKE NOTE

Your aim in financial planning is to be in a position where you will be prepared to face any financial challenges that may arise in the future.

While it is difficult to save for your future when petrol prices and debt are high, good financial planning will help you to first pay your debt off in a manageable way, and then start saving for your financial goals.

A quote by American investor Art Williams describes it well:

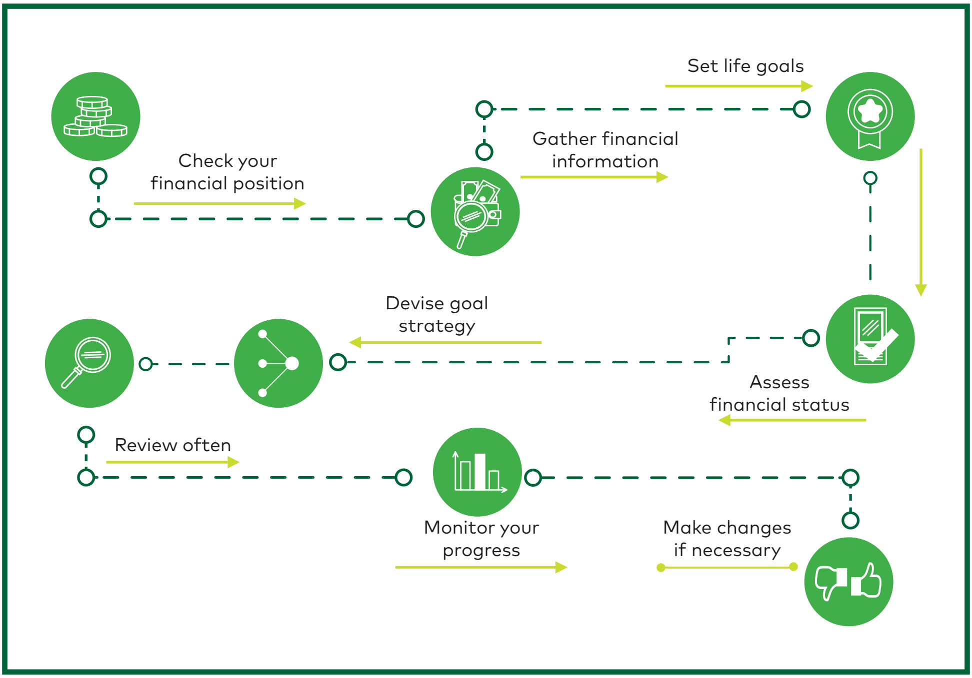
'I'm not telling you it's going to be easy – I'm telling you it's going to be worth it.'

WHAT ARE THE BENEFITS OF FINANCIAL PLANNING?

There are many benefits of financial planning. It:

- helps you decide on your spending priorities for the future;
- gives you discipline for spending and saving;
- helps avoid unexpected money shortages;
- helps you feel less financial stress;
- makes you realistic about your expectations;
- helps you set measurable financial goals for your future;
- assists you in understanding the effect of each financial decision;
- gives you the opportunity to reevaluate your position from time to time; and
- helps you realise that **you** are in charge of your financial health – a very important realisation.

THE FINANCIAL PLANNING PROCESS



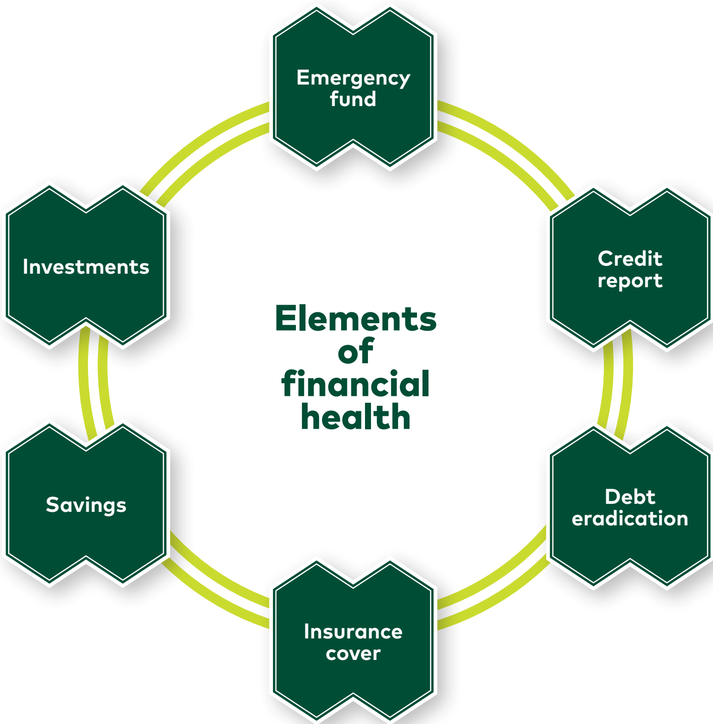
BEFORE YOU START THE FINANCIAL PLANNING PROCESS, ASK YOURSELF THE FOLLOWING:

- **Are you ready to accept responsibility for changing your own financial position?**
- **Do you really believe you can take the necessary steps to achieve financial wellness and change your attitude towards money?**
- **Can you see the benefits of financial planning for your future?**

If your answer to all these questions is 'yes', you are ready to kick off your journey to financial health. Remember that this process will involve some sacrifice. For example, you might need to give up your overseas holiday and rather put the money in your savings fund. It might mean cutting your phone bill or cancelling your satellite television for a year. Make a promise to yourself that you will be committed to this process for at least one year.

YOUR FINANCIAL HEALTH CHECKUP

A financially healthy individual would have almost all the elements shown in the diagram:



- **Emergency fund** – This is money put aside every month to be available in the event of an emergency. Should there be no emergency, it will be redirected to your savings.
- **Credit report** – This should reflect a good credit score and more positive credit information than negative information.
- **Debt eradication** – This does not refer to eradicating all debt, but to managing your debt wisely and paying more than the required credit instalments whenever possible.
- **Insurance cover** – This is insurance necessary to cover you in the event of death, illness or disability (credit insurance), and to cover your property (asset insurance).
- **Savings** – This is necessary to achieve your financial goals.
- **Investments** – This is not necessary for achieving financial health, but can help you to achieve your goals and secure your family's future.

Now that you understand what is necessary to achieve a good state of financial health, it is time to do an assessment to determine the truth of what your current financial position is.

Read the statements below carefully and give yourself an honest score of 0 to 10 in terms of where you think you are currently. Then add to get your total score.

Emergency fund

Red (0–3) _____ No cash reserve available for financial emergencies

Yellow (4–7) _____ One to three months of income in cash reserves for financial emergencies

Green (8–10) _____ Three to eight months of income in cash reserves for financial emergencies

Credit card debt

Red (0–3) _____ Balance over 15% of income

Yellow (4–7) _____ Balance between 5% and 15% of income

Green (8–10) _____ Balance under 5% of income

Household debt consumption

(All other debt such as loans and store cards)

Red (0–3) _____ Payments over 15% of income

Yellow (4–7) _____ Payments between 5% and 15% of income

Green (8–10) _____ Payments under 5% of income

Household mortgage debt

(All loans taken to buy a house)

Red (0–3) _____ Payments over 30% of income

Yellow (4–7) _____ Payments between 15% and 30% of income

Green (8–10) _____ Payments under 15% of income

Credit history

Red (0–3) _____ Frequent delinquencies (default), repossession of property, record of bankruptcy, etc

Yellow (4–7) _____ Some delinquency on debt (you have often skipped payments)

Green (8–10) _____ Current on all payments, no bankruptcy

Savings and investments

(Including stocks, bonds, mutual funds)

Red (0–3) ______ No current investing, some withdrawals taken from long-term investments

Yellow (4–7) ______ Save between 1% and 5% of income

Green (8–10) ______ Save 5% or more of income

Defined retirement plan contributions

(RA or pension plan)

Red (0–3) ______ No current plan contributions, some withdrawals from long-term investments

Yellow (4–7) ______ Save between 1% and 5% of income for retirement

Green (8–10) ______ Save 5% or more of income for retirement

Insurance

Red (0–3) ______ No insurance or planning has taken place

Yellow (4–7) ______ Some insurance, but not a comprehensive plan

Green (8–10) ______ Comprehensive plan including major medical, life, disability, liability, household, and long-term healthcare

Long-term estate planning

Red (0–3) ______ No wills, estate plan, or power of attorney

Yellow (4–7) ______ Have a will, but lack of estate plan and power of attorney

Green (8–10) ______ Have wills for all adults, estate plan, power of attorney, and updated every five years

Written financial plan

Red (0–3) ______ No formal plan with goals, objectives and measurements

Yellow (4–7) ______ Partial plan, lacking significant components

Green (8–10) ______ Written plan with goals, objectives and measurements, updated every five years

(Courtesy of Virginia State University: www.sites.ext.vt.edu.)

Indicate and add your scores on the next page. If you have a total score of below 35 points, this might indicate that you are not financially healthy or there are some areas that require your attention, and you need to take immediate steps to rectify the situation.

Even if you have a score higher than 75, you may find ways to improve your budgeting skills and learn new methods of maintaining your financial health.

Collect information
Note your spending for 30 days.

Your goals, expenses and debts determine where you want your money to go

Set goals and examine income vs expenses

Have a plan you review regularly and stick to it. Make your money work for you.

Scorecard checkup

Emergency fund

1 2 3 4 5 6 7 8 9 10

Credit card debt

1 2 3 4 5 6 7 8 9 10

Household debt consumption

(all other debt such as loans and store cards)

1 2 3 4 5 6 7 8 9 10

Household mortgage

(any loan taken to buy a house)

1 2 3 4 5 6 7 8 9 10

Credit history

1 2 3 4 5 6 7 8 9 10

Savings and investments

(Including stocks, bonds, mutual funds)

1 2 3 4 5 6 7 8 9 10

Defined retirement plan contributions

(RA or pension fund)

1 2 3 4 5 6 7 8 9 10

Insurance

1 2 3 4 5 6 7 8 9 10

Long-term estate planning

1 2 3 4 5 6 7 8 9 10

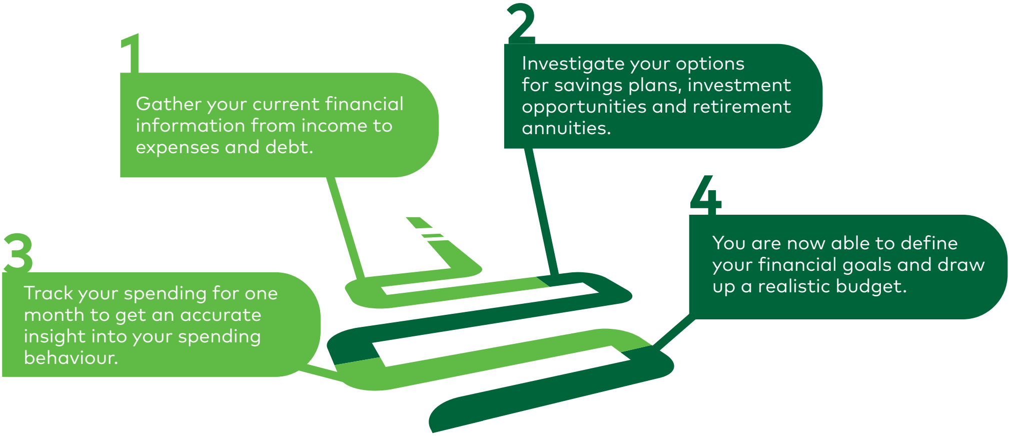
Written financial plan

1 2 3 4 5 6 7 8 9 10

Any section with a score of lower than five needs immediate attention. Continue to do well in sections with a score of eight or higher.

TOTAL SCORE
ABOVE 75 - Strong checkup, continue to monitor to ensure long term success
BETWEEN 35 TO 75 - Correct weaknesses soon
UNDER 35 - Start to correct major weaknesses immediately

MAINTAINING FINANCIAL HEALTH



FINANCIAL HEALTH TIP

Documents that are important for you to have, especially if you have a family, are a will and power of attorney.

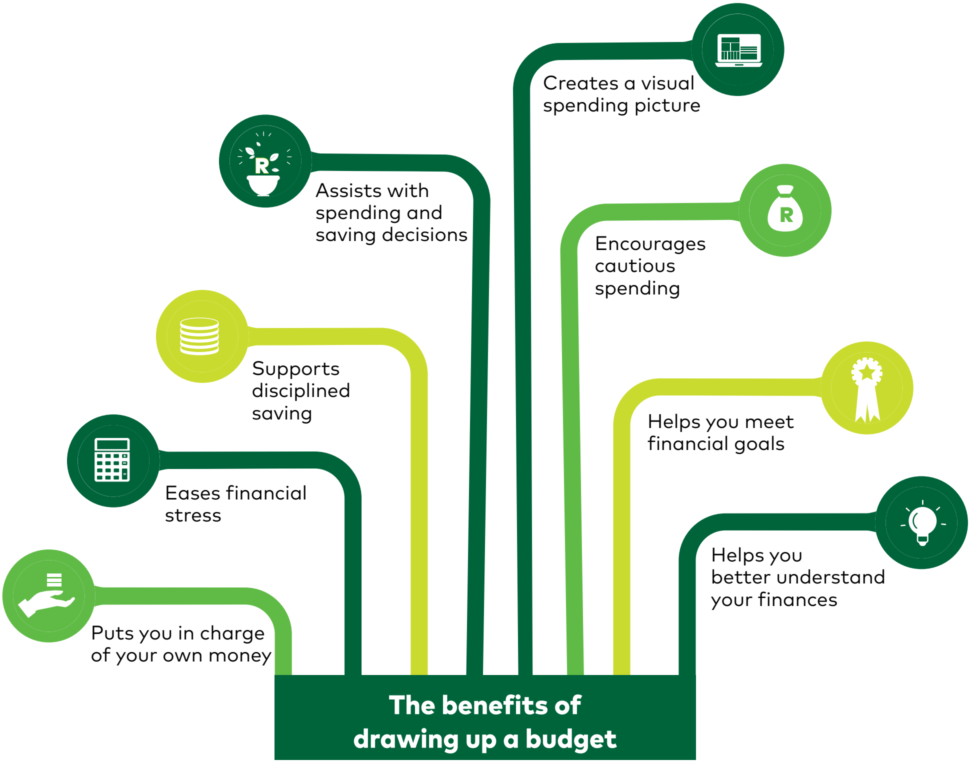
These documents will make it easier for your family members to have access to your estate in the event of your death. You should keep copies of these documents as well as copies of all of your policies in a safe place that will be accessible to your family in such an event.

All your legal documents should be well organised, and you should create a filing system of all these documents, as well as your statements, tax returns, contracts, payslips, and so forth. You should review your policies and contracts periodically to ensure they have not lapsed or to check whether they should be revised or updated. Your will and power of attorney should be updated every five years.

02 BUDGETING FOR FINANCIAL HEALTH

DRAWING UP A BUDGET CAN BE STRESSFUL, **BUT FAILING TO CREATE A BUDGET CAN BE EVEN MORE SO**

The following information is a simple plan to follow with easy budgeting steps. If you're someone who has never budgeted or someone who wants to go back over the basics to see where your money is going, these steps are perfect for you. If you're living on a low income and you're also in debt, it's always important to create a budget first in order to look at your ability to deal with the debt.



WHAT IS A BUDGET?

A budget is a plan for what you are going to do with your money. This plan details your current financial situation, and helps you to keep track of and manage your spending. It gives you an estimate of your income and expenses, including debt obligations, for a specific period.

It is a financial planning tool to help guide your spending and borrowing behaviour, because it shows you how much is left over, after deducting your expenses from your income, to allocate to savings or credit payments.
It also helps you face any financial difficulties you may be experiencing.

BUDGETING TIP

There are some common pitfalls you should avoid when drawing up your budget:

- Do not underestimate your expenses.
- Do not forget annual (yearly) expenses, for example your television licence.
- Do not lose track of your spending.
- Do not make your budget so rigid that you will be unhappy and tempted to break it.
- Do not neglect having an emergency fund for unforeseen events.
- Do not have unrealistic expectations or goals.
- Do not forget to save.
- Do not make things too complicated – you can draw up your budget using pen and paper.

The steps to drawing up a budget are listed below. You have already completed the first step, and each of the other steps will be discussed in detail over the following pages.

1 Review and establish your financial goals.
2 Look at all your income. Examine your current financial position and estimate your income from different sources.
3 Write out a budget for 12 months and list all expenses and amounts needed; itemise all your expenses in each category and estimate reasonable amounts.
4 Make sure your expenses are not more than your income; look at things you can change.
5 Decide how much you will have left over and how much you can save.
6 Decide how long it will take you to reach your financial goals. Review and adjust as needed.

LOOK AT ALL YOUR INCOME

Income is money that you receive on a regular basis in exchange for a product or service that you provide, or from capital that you have invested. Income includes:

- Salary or wage
- Bonuses
- Child support/maintenance/alimony
- Interest earned on savings accounts
- Overtime and commission
- Service tips
- Rent from property
- Disability grants or pension

You need to look at your income carefully, and ask yourself the following questions:
Where does my money come from?
Which of these sources of income are infrequent or irregular? Why?
When I get an income in large amounts every once in a while, how do I plan to use it to pay for expenses throughout the year?

If you are married, include both spouses' income. You are both working together to achieve your goals, and both of you should be accountable and involved in this process.
Remember that any income you include must be regular or definite.

So, the first thing we are doing is taking our **gross** income and then calculating our **net** income.

WHAT IS THE DIFFERENCE BETWEEN GROSS AND NET INCOME?

Gross income is the amount of income paid to an employee by an employer before any deductions are made. Net (or nett) income is the amount left over once all deductions have been made, such as income tax, medical aid or pension fund contributions.

The tables shown below are useful budgeting tools, and you can photocopy it to use when drawing up your budget, or use it as a guideline to develop your own. The first table shown is one where you write down **all** income earned, and show all deductions from your income. Some example categories are provided in the tables below.

INCOME	
Salary	
Overtime	
Bonus	
Other 1	
Other 2	
Other 3	
Total income	**R 0,00**

DEDUCTIONS	
Salary	
Medical aid	
Pension	
UIF	
Other 1	
Other 2	
Other 3	
Total deductions	**R 0,00**
Net income (Take-home salary)	**R 0,00**

WRITE DOWN ALL YOUR EXPENSES

Expenses are the opposite of income, and can be defined as the money paid or cost incurred for goods or services. Using the information you compiled at the beginning of this process when examining your current financial position and the expense tracking you did for 30 days, you are well prepared to complete this step by filling in the table on the following page.

General categories of expenses include:

- Debt payments
- Education
- Entertainment and recreation
- Food
- Giving or donating (for example birthdays or charity)
- Housing
- Insurance
- Medical or healthcare
- Personal (for example gym, hair care)
- Savings
- Special occasions (for example weddings or anniversaries)
- Transportation
- Utilities (for example water, electricity and phone costs)
- Charges
- Sundry

At this stage you are not making any changes to your expenses, you are simply making a realistic account of all the things on which you spend money every month. For now you will leave the 'amended' column blank to complete at a later stage. You will now use the following table to list all your expenses (remember to be realistic).

EXPENDITURE		
Expense type	**Current**	**Amended**
House rent/bond		
Water/electricity/rates		
Levies		
Household insurance		
Vehicle insurance		
Transportation		
Groceries		
Child maintenance		
Home maintenance		
Vehicle maintenance		
Clothing		
Cellphone(s)		
Telephone		
TV licence/DStv		
Internet		
Domestic		
School fees		
Entertainment		
Pet maintenance		
Bank charges		
Takeaways and snacks		
Magazines/books		
Medical		
Emergency funds (10%)		
Sundry		
SUBTOTAL	**R**	**R**

LEARN MORE

How much debt is too much? This is a difficult question to answer. Some might say that a bond that is greater than three times their annual income is too much, while another might say it is manageable. Only you can know how much debt is too much for you. In general, however, if you have a debt-to-income ratio greater than 20%, you are probably feeling the strain (this ratio refers to non-mortgage debt).

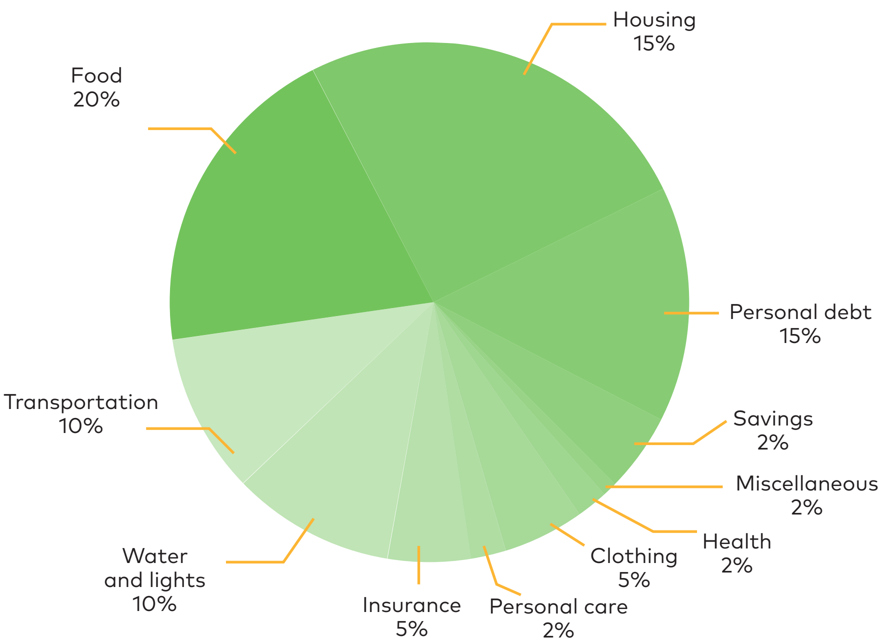
EXAMPLE

Gross monthly income is R20 000
Monthly debt is R5 000 (credit card payments, loan and car payments)
R5 000 ÷ R20 000 = 0,25
Your debt-to-income ratio is 25%.

DEBT -TO- INCOME RATIO

< 15% good
15%–20% caution
> 20% danger

For reference, an annual income of R350 000 means a monthly income of about R29 170. A debt-to-income ratio of 15% would mean your total non-mortgage debt costs R4 375 or less each month. In fact, here's a look at how this can all come together in an ideal situation with personal debt making up 15% of expenses:



Now that you have established a clear and realistic picture of your current financial position, you can start looking at your budget and see where you can cut expenses to help you achieve the personal goals you set for yourself earlier. How much money is coming in?
How much money is going out? If your expenses are greater than your income, look at where your expenses must be changed. Perhaps you will need to cancel your DStv or reduce your electricity usage for a while until you are debt-free.

THE DIFFERENCE BETWEEN NEEDS AND WANTS

It is also important to distinguish between **needs** and **wants**.

You have to learn to switch off that little voice telling you to buy things and distinguish between needs and wants, and recognise that we are often tempted to spend money on items that we convince ourselves we need. Remember, just because you can afford to buy something does not mean you should. That is why a budget plays such a vital role in helping you avoid these temptations and stay on track towards achieving your goals.

WHAT IS THE DIFFERENCE BETWEEN NEEDS AND WANTS?

Needs are something that we have to have to live. Wants are everything else we would like to have, but that we don't actually need to survive. For example, food and a suitable home are needs, but lottery tickets and designer jeans are wants.

LITTLE VOICE' CHECKLIST

We all have that 'little voice' – our subconscious mind that tells us what we should and should not do. It will also try to justify certain decisions we make, never more so than when we are on a diet, or go shopping. The little voice says things like:

- [ ] I deserve this.
- [ ] It's on sale and won't be here later.
- [ ] I earned this.
- [ ] It's buy-one-get-one-free, so I should get it and save.
- [ ] It's been a hard day/week.
- [ ] I'm getting a bonus in a month's time.
- [ ] I'll get this now and then not get that later.
- [ ] It's so cheap. It's so affordable.

LEARN MORE

If you are like most people who have not budgeted and there is more money going out than coming in, you have to start seeing what isn't really needed – expenses that are luxuries. Here is a list of things that you could look at:

- Cigarettes – one packet a day is R900 a month
- Chocolates – one slab a weekend is R60 a month
- Soft drinks – one a day for R9 is R270 a month
- Pie or sandwich bought for lunch – R15 a day is R450 a month
- Socialising on the weekend – about R400 a month

These 'small' expenses total a surprising R2 080 every month!

DETERMINE WHICH SPENDING HABITS YOU NEED TO CHANGE

'We must consult our means rather than our wishes' – George Washington

Using the list of expenses you created earlier, and the journal where you recorded all your spending for one month, identify any unnecessary expenses. Remember, the more of these unnecessary expenses you can cut, the closer it will take you to achieving your goals. Deciding which expenses to cut or reduce can be a difficult exercise, but a simple way to get you started is to go through your expenses and classify them as follows:

Start by eliminating all luxury expenses and see how much you will now have available for your goals. If the amount is still not enough to help you achieve your goals within a realistic timeframe, then you need to determine where you can reduce your non-essential expenses. For example, can you take out a cheaper cellphone contract?

Use the table below to list all your new totals. This will also indicate how much you have available at the end of every month (the 'difference' column) to allocate to extra debt repayments or savings.

MONTHLY TOTALS			
Income	**Expenditure**	**Debt repayments**	**Difference**
R	**R**	**R**	**R**

Continue reworking your budget until your income is greater than your expenses and debt, and until you have enough left over to start paying off your debts or start saving.

BUDGETING TIPS

Here are some simple ways for you to cut spending and make your budget work for you:

- Consume fewer non-essential items (such as snacks).
- Bring lunch to work.
- Don't eat out unless it's for a special event.
- Spend less on parties and festivals.
- Lower expense on life events such as weddings and birthdays.
- Save enough to buy necessities in larger amounts at lower costs (buy in bulk).
- Plan ahead to buy necessities when the prices are lower or at sales.
- Have a grocery list when you go shopping and stick to it.
- Buy less on credit.
- Carry less money or save money in a safe place; that way you won't be tempted to spend more.
- Register for rewards programmes from your bank or at stores, for example Woolworths and Pick n Pay both have rewards programmes for shoppers.
- Find shops that have coupons or weekly deals and shop there.
- Comparison shop for better prices.
- Drink the coffee given at work instead of buying coffee.
- Consider carpooling.
- Buy clothes out of season when it is cheaper.

REWORK YOUR DEBTS

Before you can rework your debts in terms of determining which debts you will pay off first and faster according to your budget, you need to prioritise your debts. You need to classify your debts as either 'primary' or 'secondary' debts. Using the table provided, list all your debt obligations, indicating the total amount outstanding, how much you are in arrears, and any action a credit provider has taken (for example collection calls, a letter of demand or a summons).

WHAT IS PRIMARY AND SECONDARY DEBT?

A primary debt is one that is a secured loan, which means you have the risk of losing your house or property. Another example would be one where legal action has already been taken, or you have received a section 129 letter of demand. Primary debts could also be those with the highest interest rates or that have only a few instalments remaining. Secondary debt would be all other forms of debt, where no security has been given. Depending on your relationship with the guarantor, a suretyship could be a primary or a secondary debt.

PRIMARY DEBTS			
Priority creditors	Amount of debt	Amount in arrears	Action taken by creditor

SECONDARY DEBTS			
Priority creditors	Amount of debt	Amount in arrears	Action taken by creditor

Make sure that you maintain your primary debt payments. And, before you start saving, you should first pay off those debts where legal action has been taken, or those that have only a few instalments left.

ALLOCATE EXTRA FUNDS TO YOUR DEBTS AND GOALS

Now that you have prioritised your debts, you can see which debts you need to pay off first, and can allocate extra or surplus money you have available after cutting unnecessary expenses to paying off these debts faster. An example is shown below.

Credit cards – creditor's name	Monthly instalment	Extra payment
Xyz bank	567,84	967,84
Abc bank	321,62	
Total: Credit cards	R 889,46	

TAKE NOTE

Even though some debts may be a priority and need to be paid off first, that does not mean you can stop making payments on your other debts. If you need to reduce the amounts of your monthly debt repayments, you should contact your credit providers immediately. Explain your current financial position to them, and request that they either reduce the monthly payments to an amount that suits your budget, or grant you a 'payment holiday' for a fixed period.

Once you know how much money you have available for your goals, you can allocate the money to the 'paying myself' category as follows:

PAYING MYSELF		
Goal 1: save for home deposit	R 500,00	R 600,00
Goal 2: save for retirement	R 0,00	R 300,00
Goal 3		
Goal 4		
Goal 5		
Total expenditure	R 500,00	R 900,00

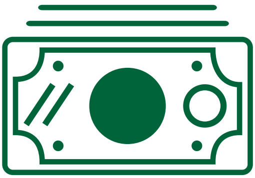
BUDGETING TIPS

Dave Ramsey, an American financial expert and author, has a great idea for sticking to your budget. The envelope system, is a popular method for visualising and maintaining a budget. The key idea is to store the cash for separate categories of household expenses in separate actual envelopes. Typically, you will write the name and average cost per month of an expense on the front of each envelope. Then, once a month or when you get paid, you will put the amount for that expense in cash in the envelope.

When the expense is due, the money is taken out to pay for that expense. If you have a debit order, which is more efficient and safer than cash payments, for a debt repayment, you should still have the envelope and insert a slip of paper into it that stipulates the debit order date and amount.

Say, for example, you have a budget for groceries of R1 000 a month. You will then have an envelope with the word 'Groceries' on it and you can only touch it to pay for groceries and nothing else. When that money is gone it is gone; no borrowing from one envelope to pay for another expense is allowed.

It is very tempting to take from one envelope for something else, but remember you are trying to learn and practise discipline. Changing circumstances might require you to revise your budget from time to time. If your income increases, you can allocate more money to extra debt payments or your savings. If your income decreases, you may have to save less to pay for basic necessities. Monitor your budget regularly so that you are prepared to adjust it in response to your changing circumstances.



Cash from income = R12 000,00

Mortgage	Petrol	Electricity	Vehicle	Groceries	Savings	Misc
R4 000	R250	R750	R1000	R1 500	R750	R250

Medical	Gifts	Donations	Taxes	Education	Vacation
R900	R250	R250	R1 250	R750	R100

Sum of envelopes = R12 000,00
Sum of income is equal to value of envelopes

Remember, fluctuating interest rates and inflation will have an influence on your budget in terms of your monthly expenses and your debt repayments. They will also have an effect on the amount of compound interest earned on your savings.

That is why it is important to monitor and review your budget regularly. Review your budget every three months, use a spending diary or journal to keep track of your spending, and update amounts if you need to. Adjust your budget if your circumstances change.

Check your slips or statements every month to make sure they are correct and that you are still on track.

BUDGETING TIPS

- Start small: Don't set yourself up for failure.
- Give yourself small rewards when you reach your goals, such as a nice dinner.
- Look at your budget weekly to remind yourself of what you can spend money on and to check that you are on track.
- Always include unexpected events in your budget. Label it 'Emergency funds' – this should not be more than 10% of your net income.
- Put your savings in an account where you do not have easy access to it.
- Keep track of what you spend daily and monthly.
- If you spend more on one item, spend less on something else.
- Get the family to participate in drawing up and sticking to the budget.
- Tell friends about your financial diet so that they don't tempt you to break it.
- Pay accounts by direct debit; even your savings can be debited from your account.
- When investing money in business, consider what to do if the investment fails.

'A budget tells us what we can't afford, but it doesn't keep us from buying it.' – William Feather

If your situation changes and you are likely to miss a payment, contact your credit providers immediately. Explain the situation to them and either promise to make payment the next month or ask that the payment be spread over a few months.

Once you have paid off your primary debts (except for your home or vehicle loan), you can start allocating the extra funds you have available at the end of every month to your savings and towards achieving your future goals.

TAKE NOTE

If you are already at minimum reasonable living expenses, it might be time to visit a debt counsellor or speak to your credit provider to see how they can assist you.

BUDGETING TIPS

Reward yourself with a small treat when you achieve small goals or milestones so that living within a budget does not feel like a chore and you can celebrate your small successes.

03

THE IMPORTANCE OF SAVING

THERE ARE NO MAGIC SECRETS WHEN IT COMES TO MAKING YOUR MONEY GROW, **BUT THERE ARE SOME TIPS TO FOLLOW TO HELP YOU SAVE FOR YOUR FUTURE OR FOR A SPECIFIC GOAL.**

Simply put, there are three things you can do with your money – spend it, save it or invest it:

- You spend money for day-to-day needs, such as food, housing, transportation, clothing, healthcare, debt repayment and other expenses such as coffee, movies or holidays.
- You save money for emergencies, unexpected opportunities, or to meet short- and medium-term financial goals.
- You invest money in business ventures to earn income over the long term.

The best advice for how to manage these three parts of your financial life is simple to say, but more difficult to achieve:

SPEND WISELY. SAVE REGULARLY. INVEST PRUDENTLY.

One of the major problems identified in the growing overindebtedness of South African consumers is the lack of savings, and the truth is that savings are necessary to help you in an emergency or to secure your future.

If you want to avoid unwanted debt, you need to be prepared for unexpected expenditures by saving some money. These savings can then be used for emergencies such as car and home repairs, retirement, securing your children's future, or achieving short- and long-term goals.

Achieving your goals requires a strong commitment to saving; it requires a change in mindset and attitude. Saving gurus recommend that you should commit to saving at least 10% of your annual income if you are able to. Research has shown that South Africans only save between 0% and 8%, and in truth, if you want to retire comfortably, you would need to save 20% of your annual income.

Another general rule of thumb is that you should have three months' salary set aside or saved in the event that you suddenly have a loss of income, you have an emergency, or you experience financial problems. This may be difficult to achieve, but it is a worthwhile target for which to aim. However much you manage to save, remember any savings you have will give you more security than no savings at all.

Your circumstances can change at any moment and you must get yourself into a position where you will be able to deal with it. Even if you were to lose your job, it takes a while before you will be able to claim from government's Unemployment Insurance Fund (UIF) and you will need to support yourself until then.

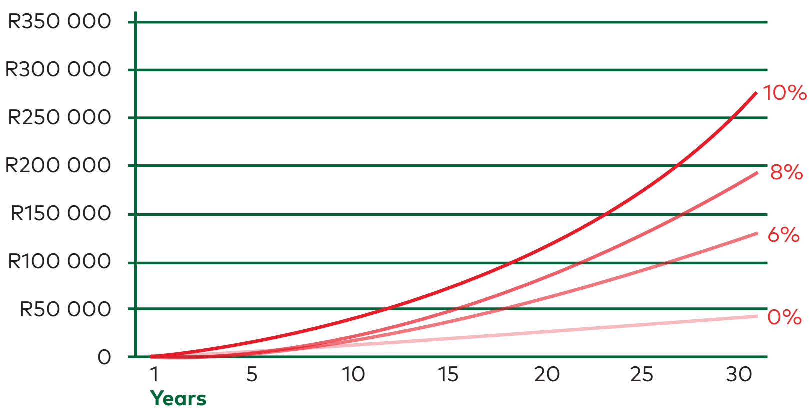
THE BENEFITS OF SAVING

- It gives you an emergency cushion, which gives you more peace of mind in unexpected situations.
- It will prepare you for retirement. The average life expectancy has increased, so we will live longer and therefore need more money to carry us through our life.
- It enables you to achieve your short- or long-term goals.
- The cost of education is increasing every year, and you will need a savings fund to secure your children's future.
- Compound interest means your money grows while the monthly instalment stays the same, so you are earning money by saving.
- It allows you to afford the things you need or want, such as a house or vehicle.
- It allows you to have fun – it can pay for holidays and other luxury items.

SAVING TIPS

Start saving as early as possible because the power of compound interest is greater the earlier you start, which is why Albert Einstein referred to it as the 'eighth wonder of the world'. Visit your nearest credit provider or financial planner to assist you in making the right savings choices to suit your needs.

VALUE OF SAVINGS



This table shows how saving can grow over time due to compound interest. The example assumes a monthly deposit of R125, and the compound interest examples assume monthly compounding.

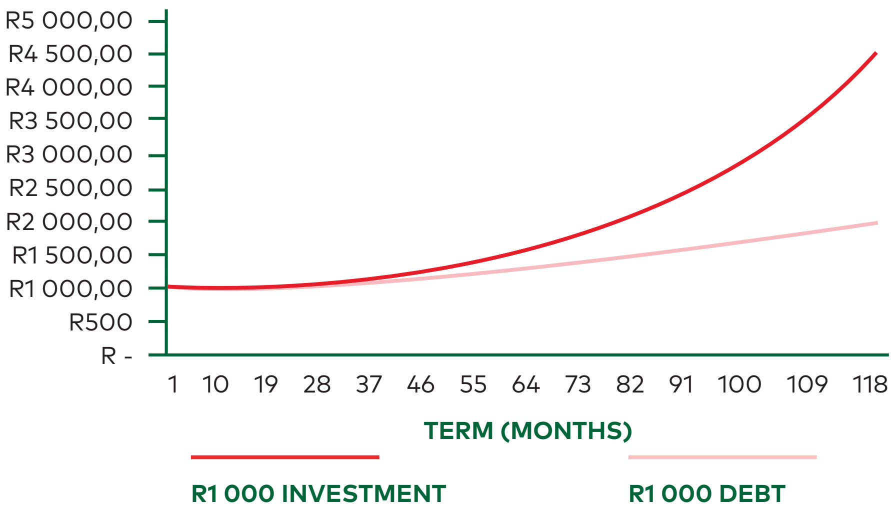
SAVING AND INVESTING VERSUS PAYING OFF DEBT

As mentioned, saving might not be possible for everyone. You should rather prioritise repaying your debt and when you have extra funds available again once your debts are paid off, you can then start saving. That is because the interest on debt usually accumulates faster than the interest on savings.

WHAT IS THE DIFFERENCE BETWEEN SAVING AND INVESTING?

Your savings are usually put in the safest places or products that allow you to access your money at any time. Examples of these would be savings or fixed–deposit accounts. They usually have lower returns, but can be used for a **specific purpose**, such as a short-term goal.

Investments, on the other hand, are for **wealth building**, and with greater returns you also have a greater chance of losing your money than when you save. Access to the money usually also has some restrictions or costs associated with it, so you usually leave investments for reaching your long-term life or financial goals.



TAKE NOTE

The emergency fund that you should set aside every month in your budget should not be part of your savings. This is only for emergencies on a month-to-month basis. The money should be put into an envelope and kept aside and used only if there is an emergency. If by the end of the month you have not needed to use the money, it should be allocated to one of your savings plans.

WAYS TO SAVE MONEY

So you want to be a millionaire? A billionaire? Everyone wants to have plenty of money and the freedom to spend it however they choose. Maybe becoming a billionaire is an unrealistic goal, but you can achieve considerable savings no matter what you earn. Remember, you can do it. All it takes is some hard work and clever strategies — such as making your money work even harder than you do.

A budget helps you save. People who keep track of their expenses often have more money left over at the end of the month than people who simply pay out money without following any kind of spending plan.

You should set a savings challenge for yourself for the year. Determine an amount you can afford to save in January and then increase that amount by 10% every month for the year. For example:

PAYING MYSELF		
January	R	100,00
February	R	110,00
March	R	121,00
April	R	133,10
May	R	146,41
June	R	161,05
July	R	177,16
August	R	194,87
September	R	214,36
October	R	235,79
November	R	259,37
December	R	285,31
Total saved	R	**2 138,42**

Characteristics to consider when choosing a savings service are:

- Ease of access
- Convenience and ease of use
- Opening deposit requirements
- Safety
- Interest earned on savings

LEARN MORE

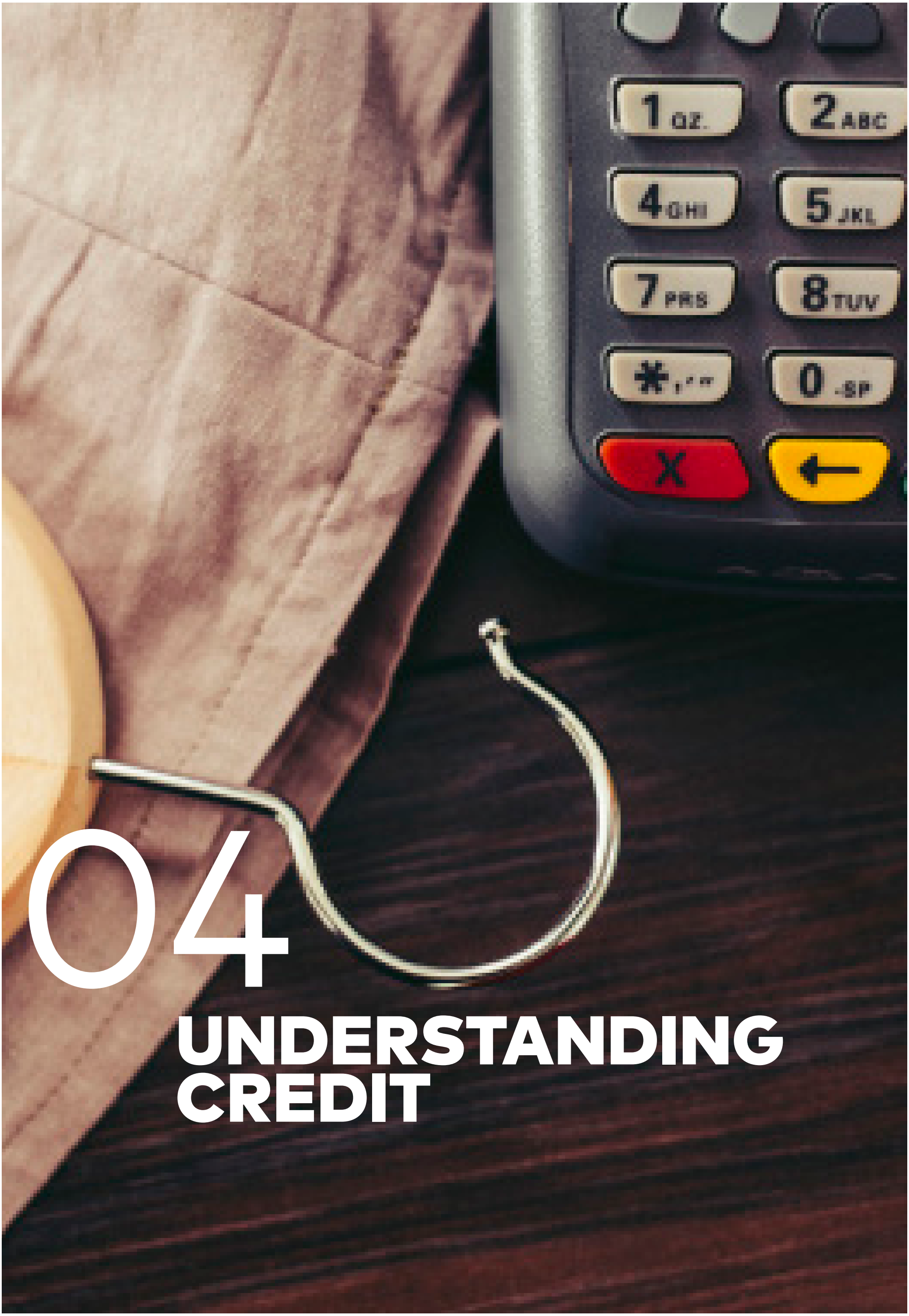
There are different ways in which you can save or invest your money. Let us imagine you have R500 available every month for savings. You could use any of the following:

- **A simple, flexible savings account.** Here you can deposit or withdraw money at any time. The interest earned is not very high on these accounts, and is usually much lower than inflation.
- **Inflation-beating savings accounts.** These offer interest rates higher than inflation. Find out what costs are associated with this account.
- **Notice deposit accounts.** These accounts usually require a minimum deposit as well as a minimum balance. You also need to give a defined period of notice to withdraw any funds from the account. In general, the higher the minimum deposit and the longer the notice period, the higher the interest rate earned.
- **Flexible fixed-deposit accounts.** These are lump sum saving accounts, where you can deposit as much and as often as you like for a fixed term, and you are only permitted a specific number of withdrawals from the account within a year, or you cannot withdraw at all during that period.
- **Unit trusts.** Your money is invested in blue–chip shares on the stock market. Unit trusts are very flexible. You can deposit as much as you like whenever you like, as long as it is more than the minimum instalment – usually R500 a month. They generally have higher returns than a normal savings account, but also higher charges associated with managing the account.
- **Endowment policies.** These are life insurance policies that are invested in various funds and can be cashed in before death. They have fantastic returns on investment, but carry a higher risk. You should speak to a financial planner if you would like this type of plan.
- **A retirement annuity.** This is a policy where you are unable to access the funds until the age of 55 to 65. Not only will you benefit from a tax concession through increasing your yearly contribution to beat the negative effect of inflation, you will also be well prepared for your retirement.

SAVING TIPS

Below are some practical tips to help you start saving:

- Make saving for your future, and for achieving your goals, a priority.
- Have a plan for saving that is part of your monthly budget, and stick to it.
- Pay off all debts that have high interest rates and are costing you a great deal of money every month, because that is money you could be saving.
- Don't buy on impulse. Take the money that you might have spent on your daily snack or drink and put it in a savings jar.
- Stop buying lottery tickets; rather put that money into your savings jar. Chances are you won't win, and that money can be used to achieve your goals.
- Speak to your credit providers and try to negotiate an interest reduction on loans.
- Give up expensive habits, such as drinking, smoking or gambling.
- Hide your credit cards and do not use them again until you are in a more secure financial position.
- Cancel any unused club memberships.
- Give a gift of a service, such as babysitting or painting the house, instead of an item.
- Join a volunteer service. This will keep you busy doing something valuable, lift your spirit and keep you motivated.
- Try buying cheaper brands of products you buy every month.
- Make a vision board. This will be a board that you put up in your house that visually represents what your goals are, for example a picture of a house or car, students graduating from university, etc. This will motivate you to stick to your savings plan.
- Tell your family and friends about your plans. They will then be a support system and will encourage you to achieve your goals, and will also stop you when you might want to do things that will hinder you from reaching your goal (for example, go to a concert).
- Look for a cheaper place to live.
- Grow your own fruit and vegetables if you have a garden. You might even be able to sell any items that you cannot use.
- Analyse your bank and cellphone accounts, and cancel any services you aren't using or don't need.
- Never give up – it might be difficult now, but it will be worth it when you achieve your goals.



04

UNDERSTANDING CREDIT

IN TODAY'S WORLD, CREDIT IS A PART OF EVERYDAY LIFE. **IT CAN BE A HELPFUL TOOL AND A VERY USEFUL ASSET IN OUR EVERYDAY LIVES, BUT ONLY IF WE UNDERSTAND IT AND MANAGE IT PROPERLY.**

When you pay for something, you usually have a choice of how to pay: cash, debit order, layby, cheque, debit card, or a credit or store card. Using a debit or credit card has become more popular, and is often just easier to use.

That said, credit cards have become a necessity in today's world, for shopping online, renting a car or reserving an airline ticket or hotel accommodation. Also, credit is needed for large purchases, such as for a house or vehicle, or an unsecured loan for a property extension or education costs. Using credit wisely is unfortunately not a skill practised by everyone, but it is vitally important for building a solid credit history and staying financially healthy.

There are many reasons why you might borrow money. The biggest reason why someone might use credit is because there is a desire to buy something now and pay for it later. It is useful to use credit to make a large purchase that you cannot afford immediately, so you can buy something now and pay it off in instalments over time. This is especially useful because most people cannot afford to buy a house or a vehicle in cash. When you have an emergency, it is convenient to use credit because you might not have had time to save sufficiently.

WHAT IS CREDIT?

Credit is the ability of a customer to obtain goods or services before payment, based on the trust that payment will be made in the future, usually with interest.

The National Credit Act (NCA) defines it as a deferral of payment of money owed to a person, or a promise to defer such a payment, or a promise to advance or pay money to or at the direction of another person.

LEARN MORE

If you borrow money from a bank or other formal lender, you will hear the following terms associated with your loan. It is important to understand what each term means for your specific loan.

- **Principal:** The amount you borrow (the amount deferred in terms of the credit agreement), to which interest, fees, collection costs, default administration costs and credit insurance are added.
- **Loan term or repayment period:** Period you have to repay the loan.
- **Repayment schedule:** How often you will make loan payments in instalments, for example weekly or monthly.
- **Instalment:** When debt is divided into parts, an instalment is one of the parts that is paid at specified intervals. So it is the amount of money you need to repay every month to pay back the money you borrowed.

While using credit for purchasing a house or in an emergency is understandable, credit can be used for the wrong reasons too. Bad uses of credit would be:

- Using one credit account to pay another credit account.
- Paying for things you really cannot afford (other than a house or a car), because chances are that if you cannot afford it today, you won't be able to afford it tomorrow or next week.
- Using credit to make ends meet.
- Gambling
- Maintaining a certain appearance to the outside world.

If we had an economy based only on cash or trade, then we wouldn't need credit. However, when people need to purchase a product or service that they cannot pay for in cash, credit allows them to do so. However important credit may be, while everyone has **equal access to credit** under the NCA, it is not possible for everybody in South Africa to receive credit. The giving of credit is based largely on trust. This means it has a certain amount of risk that is involved. This risk is often mostly carried by the credit provider.

HOW CREDIT WORKS

You need to understand how credit works so that you will be able to use credit more responsibly to secure your financial health and achieve your personal goals for the future. Simply put, when credit is given to someone, he/she borrows money from a credit provider to use now, but this needs to be paid back over time at a cost. Based on this explanation, credit has three elements:

- **Risk:** There is always a risk that a person will not be able to pay back the money borrowed.
- **Time:** The money is always borrowed over a period, for example six months, 12 months or longer.
- **Costs:** There are always costs involved in borrowing money. These costs are interest, and initiation and service fees.

WHAT IS A CREDIT AGREEMENT?

It is a legally binding contract between a lender (credit provider) and borrower (consumer). It is an agreement to lend a certain amount of money for a specified period. It outlines all the rules and stipulations associated with the contract. It also includes the details of the borrower and lender, monthly repayments, the loan amount, loan period and interest rate.

Credit can definitely be a useful tool and certainly has its advantages, such as allowing you to buy something now and pay for it later. However, it also has some disadvantages and dangers that need to be considered, such as leading you to be in debt. Not all debt is bad, but having too much is. Mismanaged credit and debt can have serious consequences.

You should make sure that you use credit for the right reasons, and that you don't overuse it. While you may be able to afford your instalments this month, or even for the next six months, you don't know what the future holds. And it is hard to recover when you are forced to skip a couple of instalments.

TAKE NOTE

Some of the other dangers of debt and credit include:

- If you are unable to repay debt, the credit provider loses money, and this has a negative effect on our economy.
- Bad debt leads to legal action and has further financial consequences.
- When you fail to pay credit back, more interest and fees are added, which only increases your debt.
- If collateral such as a house or a vehicle is used to guarantee a debt, this may be seized and sold to help recover the outstanding debt.
- It may lead to overindebtedness, where you are unable to save money and then rely on credit for future purchases.
- Money is tied up repaying debt.
- Credit may lead to overspending or reckless spending.
- Credit is not free; it costs money to get money.

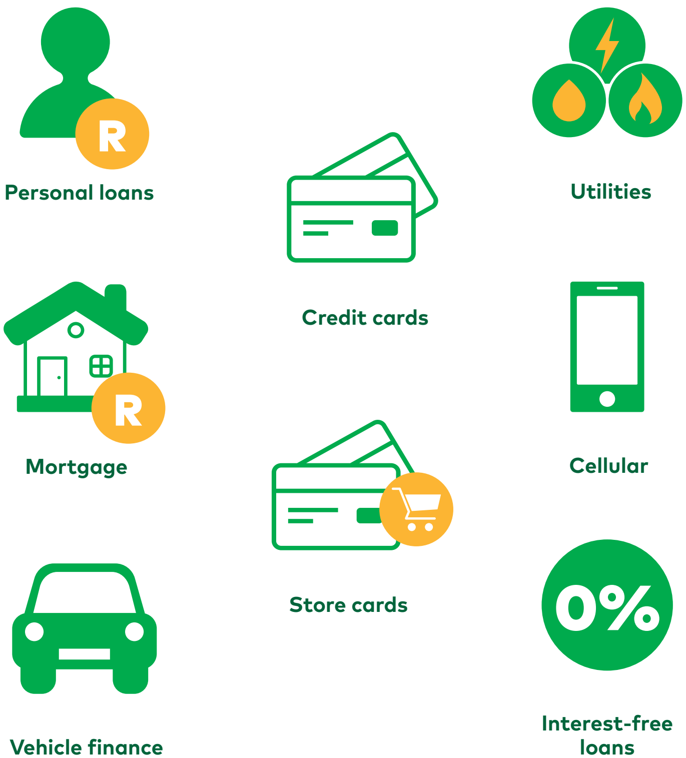
TYPES OF CREDIT

Credit can be divided into three general categories:

1. Credit facilities (revolving credit): With revolving credit, you are given a maximum credit limit, and you can make charges up to that limit. Each month you carry a balance (or revolve the debt) and make a payment. Credit and store cards are a form of revolving credit.
2. Credit transactions/Instalment credit: With instalment credit, a creditor lends you a specific amount of money, and you agree to repay the money and interest in regular instalments of a fixed amount over a set period. Personal loans and mortgages (home loans) are two examples of instalment credit.
3. Credit guarantee: This is when a person undertakes or promises to satisfy upon demand any obligation of another consumer in terms of a credit facility or a credit transaction. They sign a credit agreement as a guarantor and promise to pay should you not be able to pay. In South Africa we also refer to this as signing surety.

Whichever credit you use, remember that it costs money and you need to be able to afford it.

TYPES OF CREDIT AND LOANS



LEARN MORE

The most important piece of legislation that governs credit in South Africa is the National Credit Act, 34 of 2005 (NCA). The aim of the NCA is to:

- Increase access to credit at reasonable rates by reputable credit providers.
- Promote a fair, competitive and sustainable credit market.
- Help consumers make informed decisions.
- Create mechanisms to deal with debt.
- Provide protection for consumers, securing redress (which means you have options available to complain or take action) and ensuring compliance from stakeholders, such as credit providers.

The NCA was introduced primarily to protect **you** as the consumer.

The purpose of the NCA is to:

- Promote a fair, non-discriminatory marketplace.
- Improve standards of the consumer credit industry.
- Prohibit unfair practices.
- Promote responsible granting of credit.
- Regulate credit information.
- Provide for debt restructuring in a regulated environment.

The following apply in terms of the NCA:

- The language of credit agreements must be simple and understandable.
- A preagreement statement and quotation, which is binding for five days, must be given for all credit agreements.
- All advertising and marketing material must contain prescribed information on the cost of credit, and is prohibited from using specific terms.
- A credit provider cannot sell on credit at a person's home or work unless by arrangement.
- If a credit application is declined, the credit provider must give a reason to the consumer.
- Reckless lending is not permitted, and credit providers must take all reasonable steps to determine a consumer's creditworthiness and affordability before granting credit.
- The charging of interest and fees is regulated for all credit agreements, including micro-loans.
- Consumers have the right to a free credit report from a credit bureau once a year.
- It introduces debt counselling, which involves the restructuring of debts for overindebted consumers.

05

BANKING PRODUCTS AND SERVICES

BANKING MADE SIMPLE

Do the following to improve your banking experience:

- Be honest about your financial commitments.
- Get used to reading credit agreements.
- Read your bank statement.
- Always look for opportunities to save money.
- Create relationships with financial institution.
- Respect debit orders for good track record.

BANKING PRODUCTS

The main products offered by banks are:

Transactional accounts

- An account used for day-to-day transacting such as a current or transmission account.
- Used to receive money.
- You can link debit and stop orders to the account.
- You make payment and transfers from the account.

Savings and investment accounts

- An account used to keep money.
- You can earn interest when money is in the account.
- You can link your savings and investment accounts to your life and financial goals.

Lending products

- Clients can borrow money from the bank using these products.
- There are short-term loans, eg personal loans, overdrafts and credit cards.
- There are long-term secured loans, such as home loans and vehicle and asset finance.

Insurance products

- Banks offer products to insure your assets and the lives of you and your family.
- There is long-term insurance such as life cover, and short-term insurance such as asset cover.

Transactional accounts

Cheque account

- for day-to-day handling of finances;
- for people who earn a regular income;
- access to an overdraft facility;
- pay a set monthly service fee;
- access to internet, ATM, cellphone and SMS banking;
- receive monthly statements automatically; and
- enjoy bundled transactions.

Savings account

- used to save money;
- no access to an overdraft facility;
- access to ATM and SMS banking;
- make over-the-counter purchases and withdrawals;
- pay a monthly service fee that is often less than that on other accounts; and
- earn interest on the balance kept in the account.

PAYING ATTENTION TO DETAIL

Is your account the right one for you? Make sure you find out the below information before choosing an account.

- Type of account
- Name of the account
- Services available
- Monthly service fee
- **Transaction fees** (withdrawal, balance, debit order, stop order, Saswitch, insufficient funds, unpaid debits)

DIVERSIFYING YOUR FINANCIAL PORTFOLIO

Make sure you know what options are available to you so that your money can work harder for you.

- Current savings
- Life cover
- Insurance
- Business
- Assets
- Investment
- Retirement annuity
- Unit trusts
- Shares
- Stock market

INVESTMENT ACCOUNTS

Make sure your investment account gives you what you need. Choose your interest, risk profile, and investment conditions.

Fixed deposits

Notice deposits

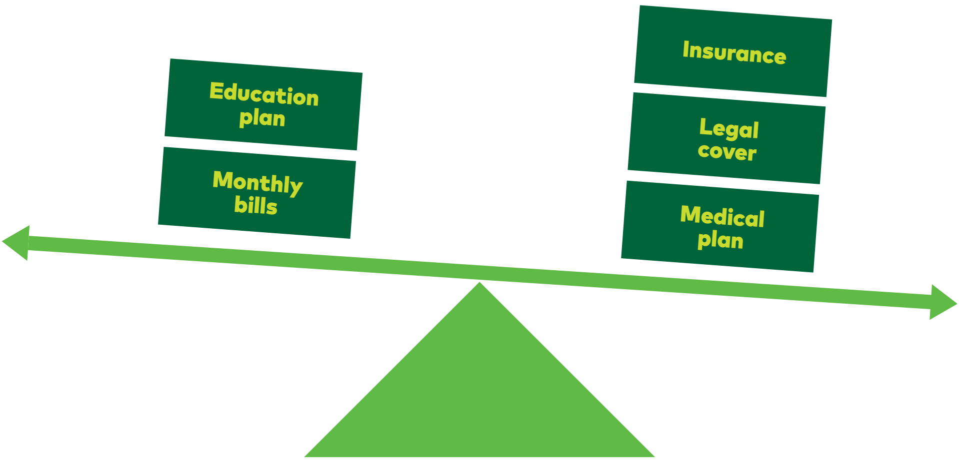
Money market

Interest
Risk
Fixed interest
Market-linked interest
Capital guaranteed
Investment terms and conditions

Balancing act

It's important to get the balance right between money that you use now, and money that you are saving for later.

INSURANCE LIFE COVER FUNERAL PLAN	SAVING RETIREMENT FUND INVESTMENTS



SELF-SERVICE BANKING SHELF

Nedbank Money app™ - requires no data to use. The Nedbank Money app (for smartphone users) is a **unique and customisable banking experience.** Choose from a selection of convenient and secure tools and NedApps designed to suit your needs.
Download it free from the Apple store, Google Play, Blackberry World or from (nedbank.mobi) for specific Nokia devices.

NEDBANKMONEY™

SMS Banking – You can access Nedbank SMS Banking through your cellphone. You will find the service to be **quick, efficient and cost effective.** View your balance, **buy airtime and pay your bills.**
Dial *120*001#

Cellphone Banking WAP – It gives you a rich internet-banking-like experience on your cellphone or tablet. Simply access nedbank.mobi from your device's internet browser.
Schedule regular topups to recharge your account automatically with our recurring option. **Go to nedbank.mobi.**

Internet Banking – Take advantage of our comprehensive online banking service, from the comfort of your home or office, in our secure banking environment. Activate eNote to keep track of your transactions. **Visit nedbank.co.za.**

Send-iMali™ – Need to send money in a hurry? You can now send money to any cellphone in South Africa quickly and safely.
The recipient can withdraw the money at any Nedbank ATM, even if he or she doesn't have a bank account.

Airtime without Airtime – Stay connected. You can now buy airtime even when you don't have airtime.
Simply dial *130*001#.

Nedbank prepaid electricity or airtime – Buy prepaid electricity or airtime at your convenience. Use the Nedbank Money™ app or Internet Banking or dial *120*001#.

Self-service terminals (SSTs) – These electronic devices allow you to do a wide range of banking transactions, but they do not accept deposits or dispense cash. They are easy to use and transactions are more cost-effective than branch transactions, which helps you avoid unnecessary charges and queues.

Pick n Pay and Boxer tillpoints – You can withdraw and deposit money at tillpoints. It's cheaper than at ATMs.

My eBills™ – A secure and convenient way to view and pay bills all in one place. DStv and Tshwane, Ekurhuleni and eThekwini municipalities are among the participating beneficiaries.
Available on internet and mobile banking.

Instant depositor – Cash deposits made at this ATM reflect immediately.

Video Banking – Skip the queue and use Video Banking. It's a safe and convenient way to interact and do your banking face-to-face with a consultant.

Notifications – Make sure your beneficiaries know that you have paid them by sending them notifications by SMS, email and fax.

NEDBANK CONSUMER EDUCATION

YOUR FEEDBACK MATTERS

We would appreciate it if you would answer questions so we can continue to improve our workshops going forward.

Did you find the consumer education booklet and workshop insightful?

YES NO

Which part of the workshop in particular did you find insightful?

____

____

What would you have liked to see in the booklet?

____

____

Based on this specific workshop, how likely are you to recommend Nedbank to your family and friends? Please rate your answer below on a scale from 0-10

0 1 2 3 4 5 6 7 8 9 10

From what you've learned today, how will you approach your finances differently?

____

____

Do you think this information is worth sharing with friends and family?

YES NO

Would you like a Nedbank banker to contact you?

YES NO

Tell us a little about yourself

Name and surname

____

Date of birth

____

Identity no

____

Tel number

____

Email address

____

Nedbank branch

____

see money differently

NEDBANK

Nedbank Ltd Reg No 1951/000009/06.
Authorised financial services and registered credit provider (NCRCP16).

To find out about Nedbank's new product offers talk to one of our Nedbank consultants for more information.

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