



Financial
PROTECTION



More about



Financial stress

Introduction

How well do you sleep at night?

With the rising cost of living, many people are feeling the crunch of financial stress which affects all aspects from their lives from their mental to physical health as well as their relationships.





1. Financial stress

1.1 Signs of financial stress

With specific reference to financial issues, anxiety over money can negatively affect your health in several ways. The financial stress can apply to a single bill not being paid for example you electricity which will mean no power or it could be a lot of bills you are unable to pay.

Ways it can affect your health are as follows:

- **Unhealthy coping behaviours:** People experiencing financial stress may be more likely to numb their anxiety by drinking, smoking, overeating, gambling or practising other unhealthy coping behaviours. This, in turn, leads to more stress.
- **Less self-care:** With less money in the budget, people who are already under financial stress tend to cut corners in areas like healthcare to pay for basic necessities like food. By not being able to take care of yourself, small issues today may turn into larger more expensive problems later. This also leads to more stress.
- **Lack of sleep or sleeping too much:** When under financial stress, people often experience trouble sleeping, impairing immune functioning and reduced cognitive abilities.
- **Avoiding reality:** At times people think if they ignore their financial situation by not opening their accounts that it will go away, but the best thing a person can do is to deal with their financial situation. Know who you owe and how much you owe them.
- **Unhealthy emotions:** Debt can cause unhealthy emotions that can take a toll on your health. People can experience anxiety, frustration, and a sense of hopelessness as the debt increases which also means that the repayment amounts will be higher due to interest costs. This causes additional pressure, which compounds with the stress of poor coping and self-neglect, to become a menacing amount of strain. Added to this there could be aggression, anger, resentment from your partner if you were the one who made bad financial choices.

Some people choose to ignore their financial situation and pretend that it is not there. It is, and it will eventually catch up with you, your partner or children.

2. Coping with financial stress

Here is what you can do to handle your financial situation and feel more in control of your life, reduce your stress, and build a more secure financial future:

- **Understand the debt cycle.** Learning how to understand and accept that you are in financial trouble or debt and how you got into it is the first step to getting yourself out of this trap. This can help you to not only understand the cycle better but to free yourself from it. Once you know how to break out, you can work toward removing yourself from the high pressure of being in debt, and start building toward your future in a more positive way with simple habits that are easy to maintain. Remember, you need to be patient with yourself. It was easy to get into debt, but in life, the consequences of your debt is long-term. You need to have a long-term plan and be consistent in your repayment commitments if you want to live a debt free life.
- **Know when you need money and how to get it.** If you are feeling stressed about finances, you likely already feel you need more money in your budget. You could look at ways to boost your income. There are a few ideas like taking a second job, selling things you do not need or sharing lift clubs. You need to go back to basics. For example, DSTV is not a need. You can drop your viewing plan and have more to spend on your needs like food.



- **Learn to live on less.** Getting comfortable with budgeting and living on less can assist you in reducing monthly expenses and freeing more funds to pay off accounts. Look at your budget and see where you can cut down. Identify your needs and wants and then focus on your needs and eliminate your wants. When you have a plan, you can feel more in control of your finances, and this can help you to feel less stressed.
- **Do not forget general stress management.** As you work on improving your financial situation, you can reduce stress by practising stress-reducing techniques and making other changes to create a low-stress lifestyle. Manage your work, life balance and realise it is OK to say “no” to demanding children and other family members. Find things that you can do that do not cost money, like go for a hike or play games at home. As your debt becomes less, you can slowly start introducing an outing for a family once a month as a treat.

2.1 Desperate decisions

Desperate times often call for desperate measures and often bad decisions are made due to the fact that you cannot see a way out of the situation. When you need to make a desperate decision remember that every decision has consequences. When trying to pay off debt you can easily become despondent and lose hope. But you need to keep yourself motivated, and if the family is aware of the situation, you can gain their support and understanding and achieve this goal together.

It is easy to get into financial trouble because from the surface you do not see the trouble. If you broke your leg, people would see it.

Financial issues cause embarrassment. Having to tell people you cannot visit, or go to a function because you do not have the money can make you feel unworthy. True friends and family will understand. Alternatively, you can mention that you have already made prior arrangements.

Financial problems can cause peer pressure from family asking for money.

Below are a few strategies to assist you to make better financial decisions that can help you succeed at your debt eradication plan and reduce stress in the future.

Take your time

When you are making a large financial decision, do not rush into anything. It is easy to get caught up in the process of buying and agree to a deal that may come back to haunt you. Discuss financial decisions with your partner. Also, remember that salespeople are professionals who will say anything to you to ensure that you make a purchase. Tactics such as “Today only” will make you feel pressured into making a decision. However, if you take your time, you will realise if this is a need or want and if it fits into your long-term debt-reducing plan.

Do plenty of research

Take the time to sleep on any financial decision before you commit to anything substantial. Also, the bigger the financial commitment, the more time you should take and the more research you should do. This gives you a sort of financial “time out” to counter the emotional excitement that sometimes comes with making a big financial decision. Speak to friends and family for reviews on similar deals and their experience. Also, do some online research for reviews on the product or service you wish to purchase.



3. Practical ways to save on your monthly budget

Below are some practical tips on how to reduce your spending to save on your monthly budget:

- Sell things you do not need
- When you cell phone contract comes time for renewal, do not renew the contract. Take a prepaid month to month plan to control expenditure
- Move into a more affordable place
- Take public transport or share transportation costs
- Call all your account holders and ask them what your minimum instalment on all your accounts are Set a debit off your bank account to honour these payments
- Cut back on entertainment and outings
- Reduce the allowance of children and ask them to make their own lunch
- Reduce your helper from 5 days a week to 3 days a week
- Bake scones and sell them at school or work
- Buy generic household toiletries that can be used by the entire family, like lotion
- There is no need to buy new school clothes each year, get a tailor or seamstress to assist with children's clothing to make it bigger at the waist and repair socks, shirts jackets and jerseys
- Pass clothes on from older siblings to the younger siblings instead of buying new clothes
- Buy a more affordable car
- Switch off lights that are not being used to save on electricity costs
- Restrict showers to 3 minutes to save on water costs
- Plan weekly meals, and purchase groceries per week
- Reduce fizzy drinks and replace these with concentrated drinks
- Cancel all loyalty programmes which have a monthly fee - every cent counts

4. Tips to help you manage your finances

- You need to make sure that you have short, medium and long-term financial goals which will help you eliminate debt and increase more disposable income to save.
- Cut up credit cards and store cards.
- Ensure that you have closed the accounts and received proof of closure from these accounts.

4.1 Check yourself

Check your motivation for making a financial decision.

- Have you gotten caught up in the emotion of getting a new car? But can you afford the petrol that goes into the fancier car or the increased insurance premium and maintenance costs? Buying the new car only makes you feel good for a short period of time.
- Are you desperate and feel like you are backed into a financial corner?
- Are you grocery shopping while you're hungry?
- Peer pressure
- Is it a need or a want?
- Does it fall in line with your short, medium and long-term financial goals?
- Will your decision affect the family budget in a negative way?

Do not make any financial decision while you are in the wrong state of mind. Emotional, angry or even happy. These are impulsive decisions. Always do the financial math when making a purchase.



Your emotional state is very important in the decision-making process. Take a step back and evaluate the situation from a more clinical standpoint so you can eliminate making emotional decisions. Making an important financial decision primarily out of emotion will come back to bite you every time.

4.2 Seek wise counsel

You should always seek someone wiser than you for financial advice when you are making an important financial decision. Preferably it should be with someone who has had to make a similar decision in their own life and was successful with it. Use the professional services available like a banker, debt counsellor or a financial adviser

You should also be careful about seeking advice from someone who stands to gain from your decision. Even if they are honest, it's very difficult for anyone not to show some bias when they stand to benefit from the outcome.



Most importantly, never take money advice from someone who is broke.

4.3 Learn from past financial decisions

You have probably made a few bad financial decisions in the past for varying reasons. We all have at one time or another. Look back at some of those decisions and pick them apart. Look at the financial decisions that your friends and family have made. Learn from their mistakes as well.

- What did you do wrong?
- What did you do right?
- Could you have done anything better?

It is extremely important to learn from your financial mistakes so that you do not repeat them.

Timing of financial decisions is also important. If you are close to retirement, it may not be a good idea to make a life-changing financial decision. You may not have time to recover financially if the decision is a bad one.



Note: Teach your children about your pitfalls so that they do not make the same mistakes. Sometimes we make mistakes due to lack of knowledge.

4.4 Get educated

Learn everything you can about money and how it works. Teach your children while they are young. One of the biggest problems is that people do not know what they do not know. When you are just winging it financially, hoping everything falls into place, you are headed for disaster.

Getting financial knowledge comes in handy on a daily basis. From large purchases to investments to everyday spending, the more knowledge you can apply to your situation the better. More knowledge results in better decisions. If you apply the "pause" principle, you can save yourself a lot of money and prevent many financial mistakes. Remember it is the small things that also cost. When you count all these small costs, they add up to a much larger amount. For example, if you give your child R300 allowance a month, that is R3,600 a year.



If you reduce the allowance to R150 a month, you will have R1,800 extra that year to save or cover other costs. Here are a few books for getting a basic understanding of money:

- Personal Finance For Dummies by Eric Tyson
- Financial Peace by Dave Ramsey
- Rich Dad, Poor Dad by Robert Kiyosaki

There are also a lots of information available online. With the use of online calculators, you can also work out the actual cost of an item including the interest. You can even work out your affordability on certain products.

4.5 Ask the right questions

When it comes to any financial decisions, be sure to ask the right questions. If you are making a large financial commitment you should ask yourself:


- What is the worst that can happen?
- What will happen if this works out well?
- Am I prepared for the worst case scenario if it does happen?
- Can my partner or I still maintain the household costs if one of us is without work?
- What is the term of the financial commitment?


The answers to these questions may not always be clear. But the more questions you ask, the more clarity you will get about your decision.


Too many of us like to think about the upside of a big financial decision, but do not give enough consideration to the risks. It is much more likely that things will go wrong instead of everything working out perfectly. So it is up to you to know the risks and be prepared to deal with them if necessary.

4.6 Sweat the small stuff

It is usually the small stuff that gets most of us in trouble. Making a bad decision on a mortgage or a car purchase can cost you thousands. However, it is those everyday habits that will cost you big time.

 **Tip:** Print statements and go through them line by line to ensure you understand each entry on your statement. Query any entries you are not sure of. Check how much you are paying in bank charges and find out the most cost-effective way to use your bank card. There may be debits that you are unaware of or unauthorised debits on your account.

 **Tip:** many people find themselves negatively listed when they change banks, as they do not transfer all their debits and stop orders to the new bank. As a result, they may find out only much later in life that they are negatively listed and owe money which has over the years increased with interest.

 **Tips:**

- Know who you owe and how much you owe them
- Switch all your debit and stop orders to your new bank if you move banks
- Query uncertain costs on your statement



It is understandable that when one enters the working world that you will be approached to open various accounts and call centre agents will call you to inform you that you have qualified for a certain credit product. We get excited, and in our lack of knowledge, we accept all these offers, not knowing that we can decline them.

Just think about owning a credit card. Many people do not seem to know how they got into such bad financial straits and maxed their credit cards. Some people use their credit cards to buy online or for flights. But nowadays there are more cash options available to you so that you do not need a credit card.

The problem is usually that they did not sweat the small stuff. These people never did a detailed budget. The danger with credit cards is that it is money you do not actually have. And it is always easy to spend someone else's money. Until you need to pay it back, over a long period of time, with interest. You may find that your minimum instalment is only R1,500 a month. However, you are paying R989 in fees on the account. Which means that you are only paying R511 on the capital amount. If you do not increase your monthly contributions, you can end up paying this off for a very long time.

Sweating the small stuff means paying attention to your daily spending habits, doing a budget, eliminating credit, and using cash to fund your life. It means thinking twice before paying. When you sweat the small stuff, you will never spend more than you make and you will always know where your money is going.

5. Financial stress in relationships

Financial stress not only affects you as an individual, it will affect the relationships around you, with friends, partners/spouses, your children as well as your extended family.

Your spouse is someone you share everything with, which means that sometimes you will both have to bear some stress for one another. Financial stress can really put a strain on a marriage though.

Some of the effects of financial stress are (but not limited to) anxiety, depression, alcoholism, severe health issues, eating disorders and even the inability to sleep. Each of these things can greatly effect relationships and the family home.

You both have to deal with the thought of having absolutely "nothing" or having to change your lives as you know them to better your financial future. This can lead to fights and even a feeling of loneliness (if you feel your partner is not communicating enough). There is good news though. You can always overcome your financial stress.

6. Overcome financial stress

Overcoming your financial stress will not be easy, but there are things you can do to relieve and even overcome your financial stress.

- **Figure out what stresses you.** If there is a credit card payment keeping you stressed out, looming debt or whatever it may be, identify the problem. Once you have done that you will be able to start overcoming financial stress.
- **Try and think positively.** Focus on how great life is going to be once the stress is gone. Keep your



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head up! It will help you overcome your financial stress.

- **Set realistic goals.** It is easy to say “I want to pay off all my debt”, but without realistic, smaller goals you will not ever get anything done. Sit down and set some realistic goals for your financial future. Often writing these things down can help you reduce your stress tremendously.
- **Make your Rand count.** Focus on trimming your budget. Everywhere you can cut something, do it. Be sure you are getting the best deals possible and trimming your budget to the best of your ability.
- **Lean on someone.** You do not have to overcome your financial stress alone. Find a family member or friend you can confide in and do not be afraid to share your goals with them and lean on them when you need to. Overcoming financial stress is difficult but not impossible.

7. Where can you go for help

South African Depression and Anxiety Group (SADAG)

Phone 011 234 4837 | 24Hr Helpline 0800 456 789

Debt counsellors association of South Africa

Phone 0861 432 272

National Credit Regulator (NCR)

Phone 0860 627 627

Office of the Credit Ombudsman

Phone 0861 OMBUDS (0861 662837)

