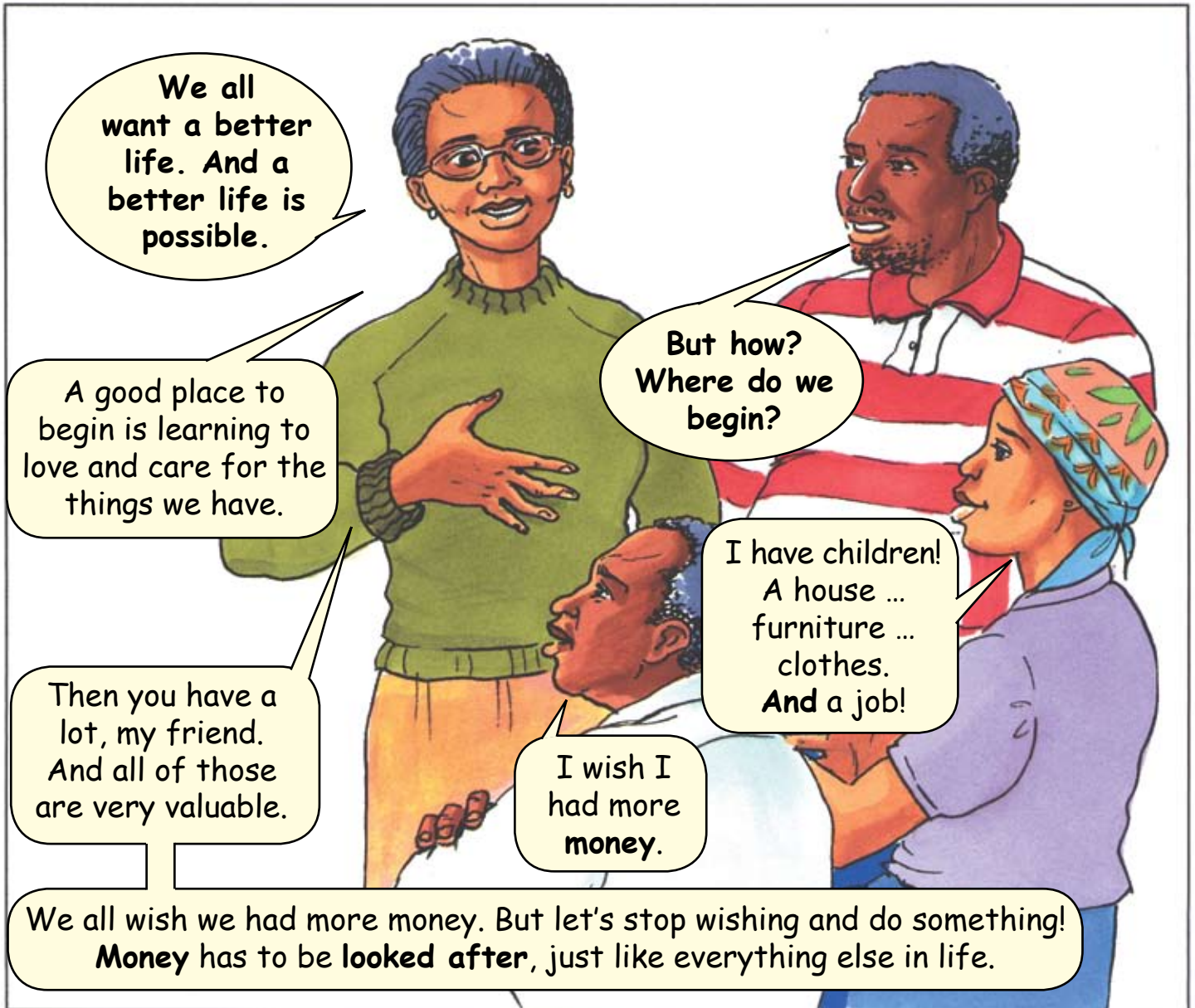


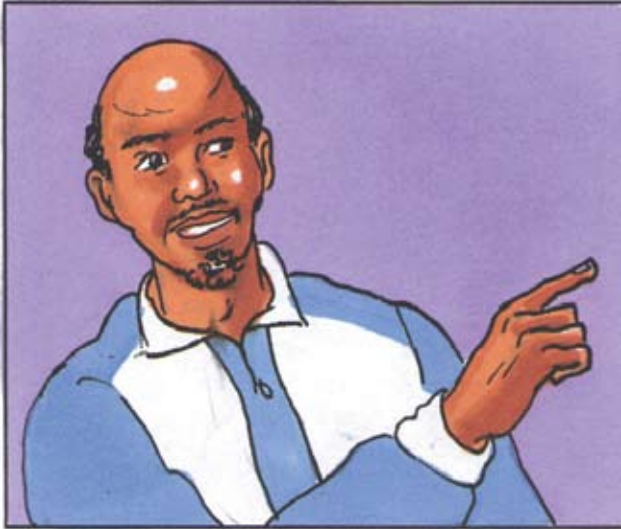
Do you want to improve your life?



Do you know how to look after your money?



Managing your money



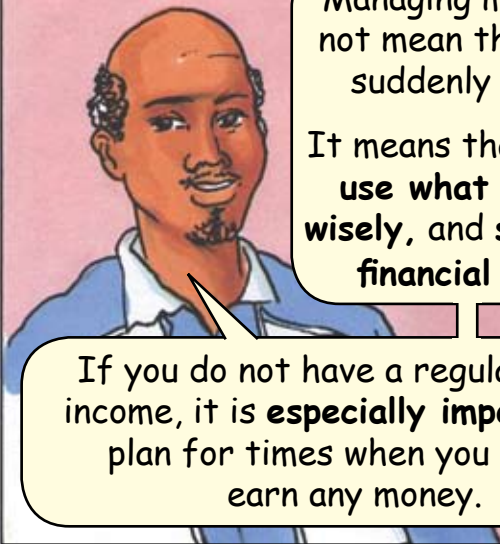
This book explains how to manage *your* money

Do you have a pension or a grant?
You can manage your money better.

Do you have a low-paying job?
You can manage your money better.

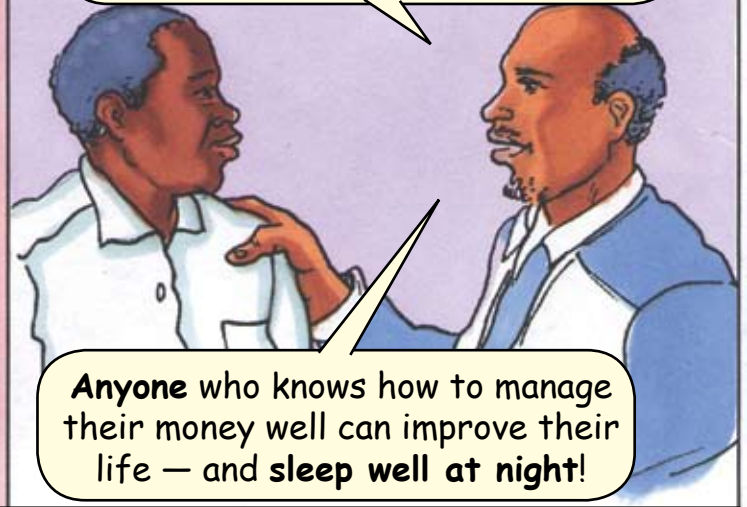
Do you get only piece work?
Then you are earning money.
You, too, can manage your money better.

Managing money is a skill that you can learn.



Managing money does not mean that you will suddenly get rich. It means that you **plan, use what you have wisely, and stay out of financial trouble!**

If you do not have a regular, fixed income, it is **especially important** to plan for times when you do not earn any money.



Rich people who do not manage their money have financial problems just like anyone else.

Anyone who knows how to manage their money well can improve their life — and **sleep well at night!**

We can all have a better life if we:

- **think** about what we are doing;
- **identify** the things we are doing wrong; and
- **take steps to change** our behaviour.



Even me?

Yes. Even you.

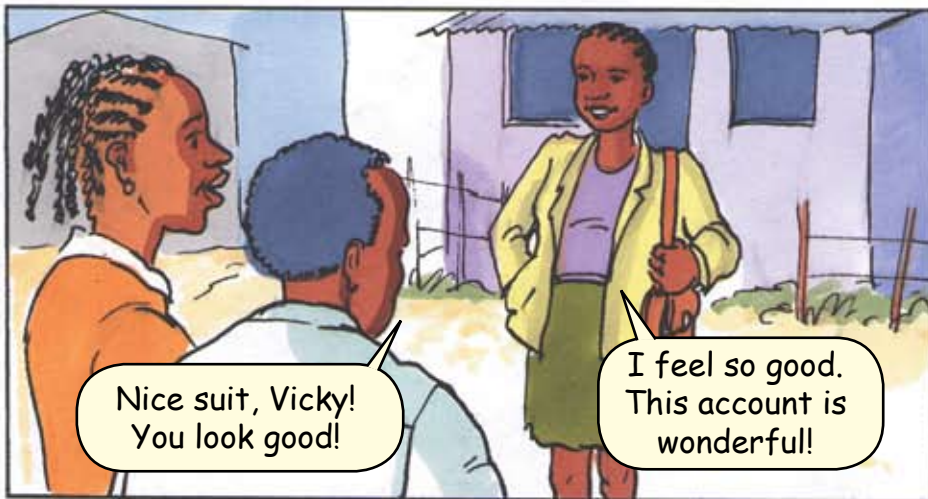
Whether you are 16 years old, or 35 or 60, there are small, easy things you can learn to help you manage your life and your money better.

Vicky's Story

Read how one young woman found out about managing her money.

Vicky earns R1 100 a month. She is a single parent with a three-year-old child. She rents a room in a house. She shares electricity costs and buys her own groceries.





Nice suit, Vicky!
You look good!

I feel so good.
This account is wonderful!



Next month ...

I owe R600! But I only have to pay R60 this month. That's nothing.



This is a bargain.
I'll buy it.

Now I'm hungry.
Take-aways for me.

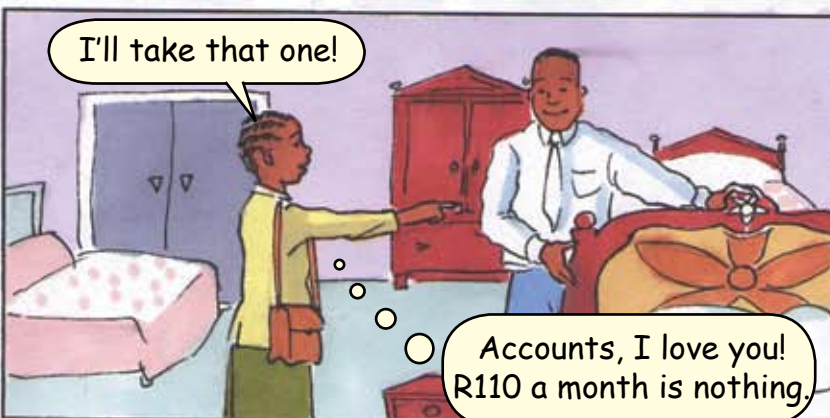


That weekend ...

Hey, Vicky!
Come and see our new bedroom suite.



All my friends have bedroom suites. I need one, too. Lulu only has to pay R110 a month.



I'll take that one!

Accounts, I love you!
R110 a month is nothing.



Vicky, there's a party at my cousin's place in Queenstown. Let's go for the weekend.

Sure!

Transport: R25

Food for the weekend: R50

Gift for cousin: R20



I can just make it.

An unexpected expense can get you into trouble. Do you really need it? Can you afford it? How much money will you have left?

Back at home ...



Crèche fees! I forgot crèche fees! I'll have to borrow money.



Don't worry. I have some extra cash this month.

I don't know how this happened. I will pay you back as soon as I get my wages!

Next month ...



Edwards R100
Bedlin S,R110
Thobis R50
Rent R50

How will I make it through the month?
I have to pay:
R60 instalment to Edwards
R110 instalment for my bedroom suite
R50 for my suit
R50 to pay back Thobs
— and still pay rent, groceries and everything else. Maybe if I'm very, very careful I can do it.

Then ...



Vicky, our mother is very sick. We need you to come home.

Come home! But I haven't got any money! I'll have to borrow from a credit provider.

Now Vicky is in real trouble!

Does Vicky sound like anyone that you know?
Many of us are a lot like Vicky.
We want to do the best for our children.
We want to look attractive and fashionable.
We have to make financial decisions all on our own. We have no one to advise us.
We try to do a lot with our money — sometimes too much!



Why is Vicky in trouble?



- She **spent money without thinking**.
- She **opened too many accounts**.
- She **left expenses unpaid**.
- She **did not think about the future**.
- She **did not have any savings**.
- She **did not plan**.

What can Vicky do?

A good place to start is to **share her problem** with someone she **trusts** — someone who is **managing** his or her life **well**, someone who can give her **advice**!



Vicky goes to see her friend, Thobs ...



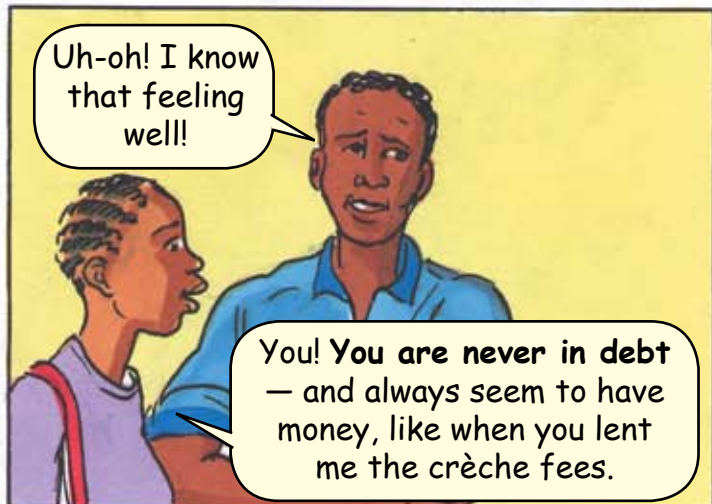
Hello, Thobs.

Hi, Vicky.
What is wrong?
You look so
miserable!



You were so
pleased with
life last time I
saw you.

I have been so
stupid! I owe
everyone money
and I don't know
what to do!



Uh-oh! I know
that feeling
well!

You! You are never in debt
— and always seem to have
money, like when you lent
me the crèche fees.



Oh, but
it was not
always so.



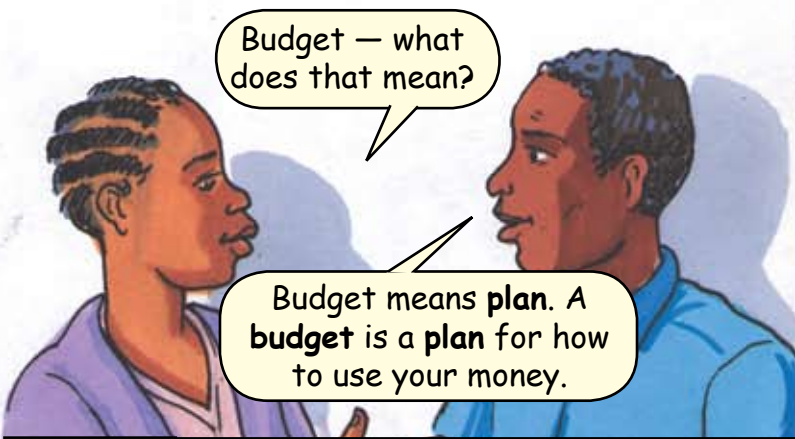
A few years ago, everyone admired me and envied me.

I bought whatever I wanted. When I ran out of money, I borrowed and gambled. I felt great and I believed I had it made!



Then ... the shop took back my hi-fi ... and my lounge suite — I hadn't paid my instalments for months! Creditors and money lenders started threatening me. Soon, I had nothing left, and no one would lend me more money! I was in serious trouble!

That's when my friend, Malose, stepped in. Together, we made a plan to pay off my debts and start again. He showed me how to manage my money — how to budget and plan. And that's how I got where I am today.



Budget — what does that mean?

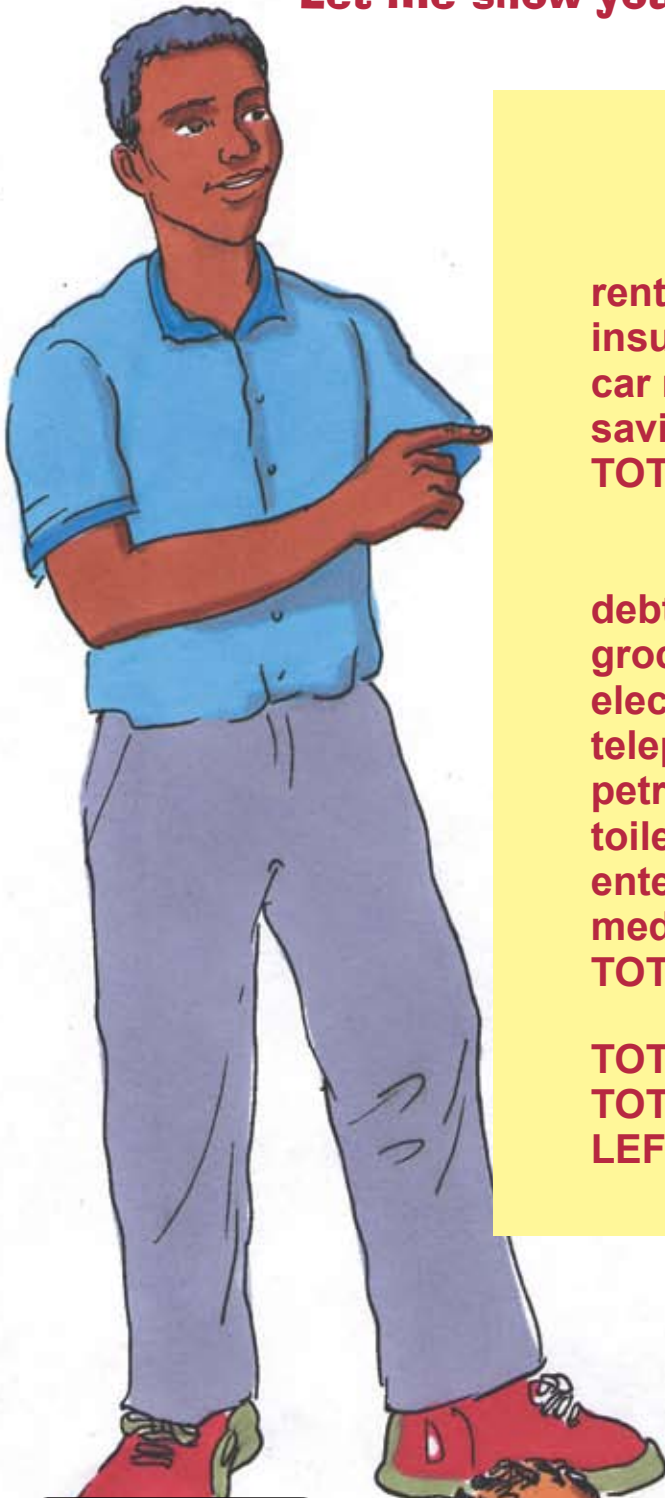
Budget means plan. A budget is a plan for how to use your money.

Many of us get into financial trouble because we do not budget. When you budget, you write down a plan for your money for each month. If you don't have a regular or fixed income, you need to plan for when you do not earn anything. When you have a plan, and stick to it, you are in control.



When you budget, you spend your money more wisely. You cover all your basic needs and you seldom have to borrow. You may even have enough money left over to save!

Let me show you my budget for last month ...



Thobelo's Budget

FIXED COSTS

rent	R350
insurance policy	R 50
car repayment	R100
savings	<u>R 50</u>
TOTAL FIXED COSTS	R550

CHANGING COSTS

debt: furniture shop	R100
groceries	R260
electricity	R 60
telephone	R 60
petrol/repairs	R100
toiletries	R 60
entertainment	R 60
medicine	<u>R 40</u>
TOTAL CHANGING COSTS	R740

TOTAL COSTS	R1 290
TOTAL INCOME	<u>R1 450</u>
LEFT TO SPEND OR SAVE	R160

I can't do that!
I wouldn't even
know where to
start!

Making a budget may
look difficult, but it
is just a skill. Let me
explain and show you
how it works.

Find out about Fixed Costs and Changing (Variable) Costs
on pages 12 and 13.

How to plan your budget

Let's start by looking at your life — the things you need and the things you want.



Why can't I just use **your** budget, Thobs?

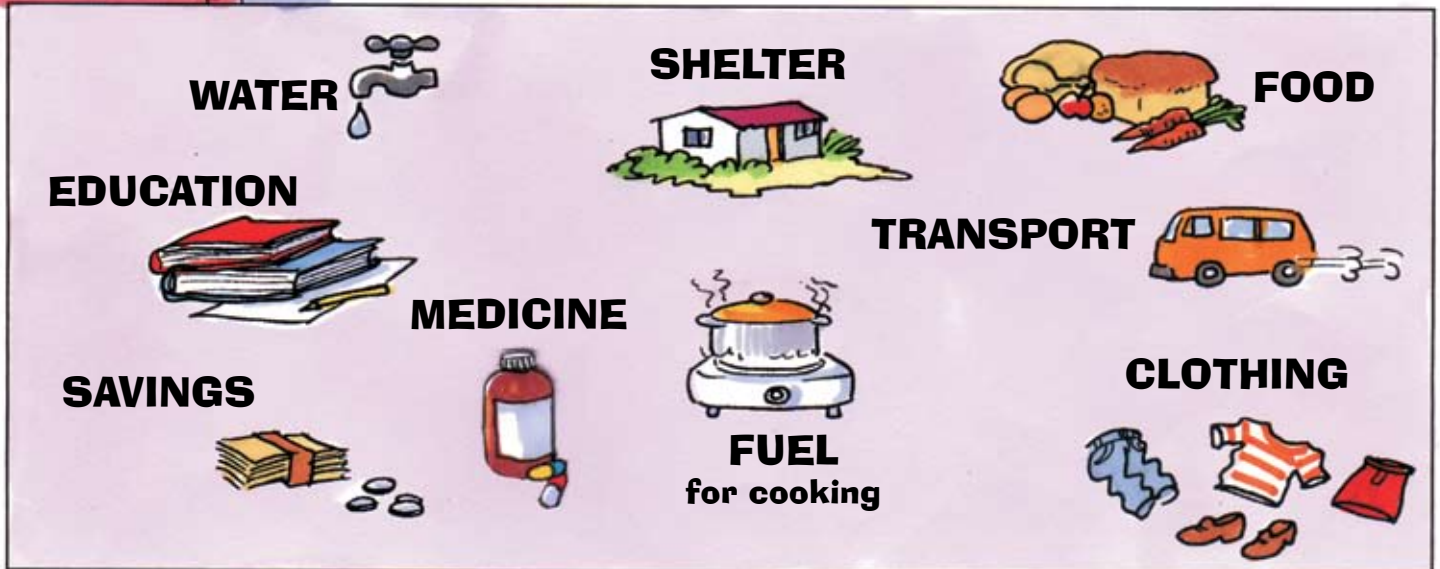
Your budget will be different from anyone else's.

That is because your needs and wants are not exactly the same as mine — or anyone else's! Each person or family's needs and wants are a bit different. For example, you are a single parent with a child — I have a partner, but no children. And we do not have the same money to spend! Some people do not even have a regular income.



What are the things that you need in life?

Things we need



Our needs are the things we cannot do without. We must make sure we have money to pay for these things every month first.



Sit down with your family and make your list. Write down everything you can think of!

Things we want

We don't only have needs. We also have wants. These are things that we would like to have, but which we can do without.



LUXURY FOODS



chocolates
chips
soft drinks
alcohol

TV



SMART CLOTHES



TAKE-AWAYS



CIGARETTES



We *all* want things.

There is nothing wrong with wanting things.

And there is nothing wrong with buying the things we want —

- IF we can afford them.
- BUT WE MUST LOOK AFTER OUR OWN AND OUR FAMILIES' NEEDS FIRST!



Many people run into difficulties because they spend their money on their wants before they have paid for their needs. Some people only earn money for **part of the year**, like fruit pickers. Some earn a **different amount every month**. They have to think about their needs in the **bad times** ahead as well.



Make a list of your family's wants. Let everyone take part!

MONEY MANAGEMENT

Rule number 1

First pay for the things you *need*.

Then buy the things you *want*, if you can afford it.



OK, Thobs. I have written down the things that we need and the things that we want. What's next?

The next step is to **work out a budget or plan**. Remember the one I showed you? But this one will be for **your family**.



Your lists of needs and wants will help you see **where** you can spend less money to help you get out of trouble — or avoid getting into it!


Right. Let's do **my** budget! Where do I begin?

Let's look at Thobelo's budget again.



A budget can be divided into **five parts**:

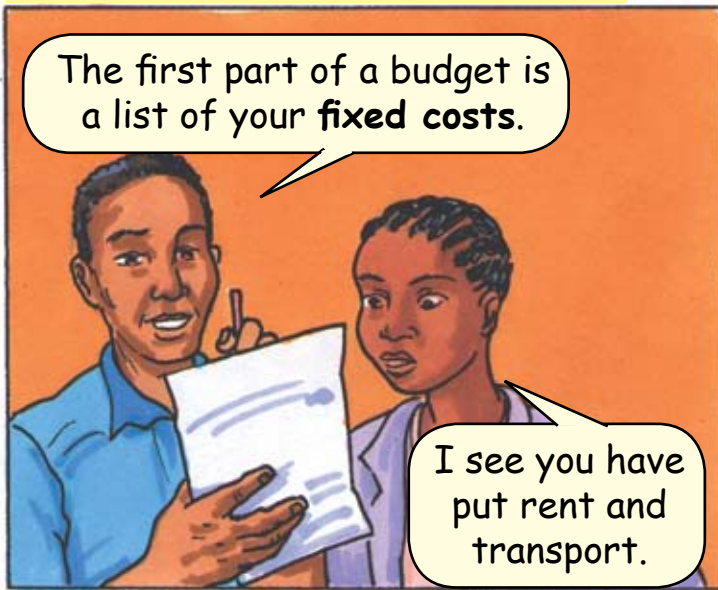
1. **fixed costs or expenses**
2. **changing costs or expenses**
3. **total costs or expenses for the month**
4. **total income for the month**
5. **money left to spend OR amount still needed (shortfall)**



THOBELO'S BUDGET	
<u>FIXED COSTS</u>	
rent	R 350
insurance policy	R 50
car repayment	R 100
savings	<u>R 50</u>
TOTAL FIXED COSTS	R 550
<u>CHANGING COSTS</u>	
debt: furniture shop	R 100
groceries	R 260
electricity	R 60
telephone	R 60
petrol/repairs	R 100
toiletries	R 60
entertainment	R 60
medicine	<u>R 40</u>
TOTAL CHANGING COSTS	R 740
TOTAL COSTS	R1 290
TOTAL INCOME	<u>R1 450</u>
LEFT TO SPEND	R160

How to draw up a budget

Step 1: Fixed costs



Vicky's Budget

FIXED COSTS

rent	R200
money for mother	R100
crèche fees	R50
transport (to and from work)	<u>R90</u>
TOTAL FIXED COSTS	<u>R440</u>

I'm starting to understand how a budget helps you stay out of trouble!

MONEY MANAGEMENT

Rule number 2

Write down your monthly budget and *stick to it*.

Step 2: Changing (variable) costs

Changing or variable costs are things that you usually pay or buy **every** month, but the **amount changes** from month to month.

Below “changing costs”, write down what you think your **changing costs will be**.

Don't forget to add them up.

Step 3: Total costs

Add the **total for fixed costs** and the **total for changing costs** together. Write down the answer.

Step 4: Total income

This is the amount of **money you have available to spend** each month.

Step 5: Money left over OR still needed (shortfall)

Subtract the smaller amount from the bigger amount.

If **costs** are **bigger**, you are **spending more** money than you have. If **income** is **bigger**, you have **money left over!**



It will make it easier to work out your different costs if you write down everything as you spend. **Keep a record.** It will help you to do your budget properly.



Vicky's Budget

FIXED COSTS

rent	R200
money for mother	R100
crèche fees	R50
transport (to and from work)	<u>R90</u>
TOTAL FIXED COSTS	R440

CHANGING COSTS

debt:	
Edwards	R60
furniture shop	R110
clothing shop	R50
credit provider	R50
groceries	R300
electricity	R50
telephone	R55
toiletries/cosmetics	R70
take-aways, etc.	<u>R30</u>
TOTAL CHANGING COSTS	R775

TOTAL COSTS	R1 215
TOTAL INCOME	<u>R1 100</u>

<u>STILL NEEDED</u>	<u>R115</u>
----------------------------	--------------------

I have money left over to spend or to save. That is because my income is more than my expenses. Do you know why you ended up with too little to pay for everything?



Yes, Thobs. I've spent more money than I have! I am in debt! What am I going to do?

How a budget helps you

You can see that you need to **cut down** on what you are spending — your costs!

But **everything** in my budget is **important!** So how can I cut down?

This is where you will find the lists you made useful.



Look at your budget. **Tick off** the things you put on your "**needs**" list — those things you can't do without!



The things that are left are the things you can try to cut down on. Start with the things that you "**want**" — they are not essential — like the furniture account. When you have paid it off, **close the account!** That will save you R110 a month. And you can do without take-aways. That's another R30.

I see what you mean. I think maybe I could spend a bit less on groceries too. And only phone my friends after 8 p.m. and on Sundays.



Good idea! That's the right attitude! I can see that you are on your way to better budgeting already.

Vicky's Budget

FIXED COSTS:

rent	R200
money for mother	R100
crèche fees	R50
transport (to and from work)	<u>R90</u>
TOTAL FIXED COSTS	R440

CHANGING COSTS:

Debt:

Edwards (clothes)	R60
furniture shop	R110
clothing shop	R50
credit provider	R50
groceries	R300
electricity	R50
telephone	R55
toiletries/cosmetics	R70
take-aways etc.	<u>R30</u>
TOTAL CHANGING COSTS	R775

TOTAL COSTS	R1 215
TOTAL INCOME	<u>R1 100</u>

STILL NEEDED	<u>R115</u>
---------------------	--------------------

It may take a few months, but if you follow Vicky's example, you can take control of your money — and sleep well at night!

Getting out of trouble



It is possible to get out of financial trouble.

It can be done, but it takes:

- determination
- hard work
- honesty
- all the members of the family working together.

Face the problem

The first thing to do is to **face the problem**. If you get **letters** from people you owe money to (called creditors), **open** them. **Read** them. You must know where you stand with each creditor.



Discuss the problem with your family

If you have adult family members who **depend on your income**, discuss the situation with them. If your family wants to get out of debt, **everyone** in the family must cooperate. You must all **agree** on the **way forward** and **stick to the plan**.

Draw up a budget

Look at your budget. Tick off all your **needs**. Now look at **the things that are left**. These are the things you need to pay off and cut down on.

Sit down and **make a list** of all your **creditors** and **how much you owe them**, each one. Make it your goal to **pay off your creditors!** Work out how much you can afford to pay each one, leaving you just enough to live on. Avoid all **unnecessary** spending.



Contact all your creditors

Phone or visit the accounts departments of all the places you owe money to. Ask if you can pay a smaller monthly amount for a short time. But remember that the less you pay each month, the longer it will take to pay off the debt. If the creditors agree, ask them to give you the agreement in writing. Contact all your creditors.



Manage with what you have

Arranging to pay your debts is the first step. Living off what you have is the next step! Until your debts are paid off, **don't buy anything else on credit**. Get your family to cut down on all unnecessary expenses. It may be difficult — but buy **only** what you **need**.



Once you have taken the first steps towards managing your money, you will feel a lot better. Money problems make us feel unhappy, worried and hopeless.

But if you **face the problem**, and you work out a **plan** that you can realistically stick to, and **then stick to it**, you *can* get **out of debt** and **take control** of your money — and your life.



I learnt to **budget**. I paid off all my accounts and closed them, except for one. Now I manage to save a bit **and** sometimes have money left over.

I **only** earn money in the **summer months**, when the hotels are full. I have started **saving** some of the money I earn **while I have work**. This way I can make sure I have money to pay the rent and buy food every month when I **don't** have work!

ACCESS TO FINANCIAL SERVICES

The Financial Sector Charter was drawn up to make sure that the financial sector introduces easily available and affordable financial products and services. A range of services and products has been drawn up with this in mind. Check it out!

- the **Zimele** brand for long-term insurance products
- the **Mzansi** short-term insurance standards
- the **Fundisa** fund, which is a savings product for students

These products meet certain standards according to the charter. If you are interested in accessing these products, talk to your bank or insurance intermediary.

Dangers



Managing money is like taking a journey. There may be dangers and difficult choices along the way. We can make that journey unprepared. Or we can learn to see the dangers and avoid the mistakes so many of us make. We all want to sleep well at night!

BUYING ON CREDIT

Life is so tough nowadays. I want all sorts of things — things that I can't afford.



And I have so many people and accounts to pay that before I even see my money, it's gone!

Credit means we can have things today and pay for them later.

Shops want us to spend our money. They know many people cannot afford to buy all the things they want, so they offer us *credit*. They make it easy to open *accounts* or buy goods on *HP* (hire purchase).

Credit is more expensive than buying for cash. The longer we take to pay, the more interest we pay. So we can end up spending almost all of our income on account payments, with almost nothing left for food and other needs.

This need not happen if you use credit wisely!



Now I am confused!
Are accounts my friend — or my enemy?

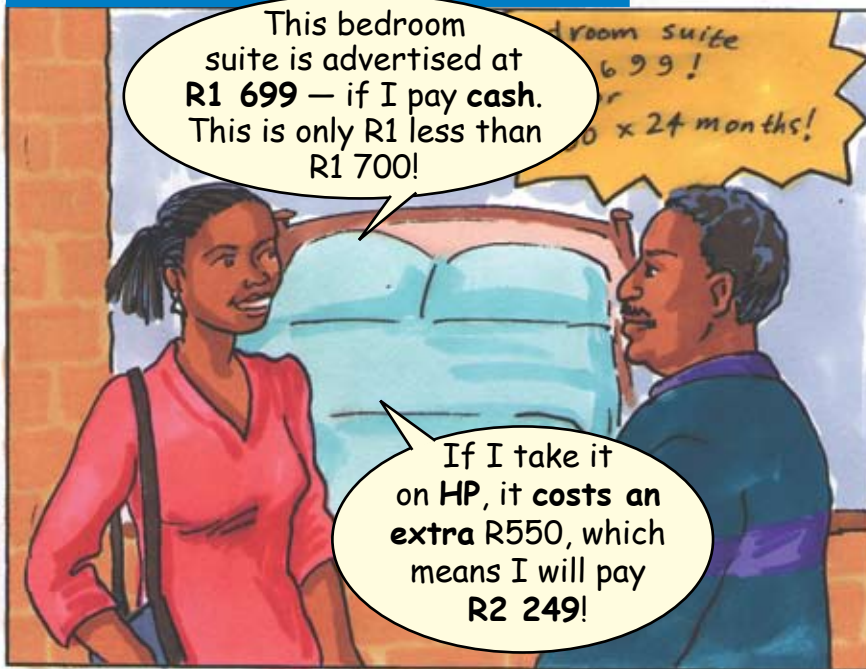
An account lets us buy something which is too expensive to pay for in cash. This is a **good** service, but **only** if we plan and budget for it, and only use it to buy **things that we need and that will last a long time**, like furniture. Otherwise we can get into serious trouble.

MONEY MANAGEMENT

Rule number 3

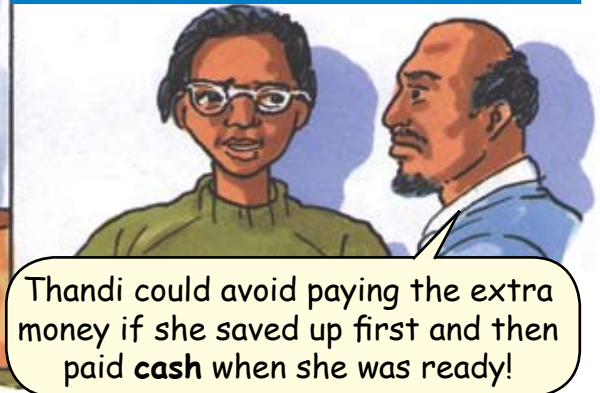
**Never use credit to buy things you use up quickly, like food.
Avoid buying on credit if possible.**

Hire purchase (HP)



WATCH OUT!

Buying on HP can be expensive! Instalments for this bedroom suite are R90 per month for 24 months. That is R2 160, plus a deposit of R89. The instalments plus deposit = R2 249. That is R550 more than the cash price.



Clothing accounts



WATCH OUT!

Clothing accounts mean credit (a **loan**) which has to be paid back. Most clothing shops give us a certain time to pay before they charge interest. Then every month they add interest to what we owe. The **longer** we take to pay, the **more interest** we pay! If we **miss payments**, we can end up in serious trouble. So always pay an **agreed amount** on your account **every** month.

Rather buy clothes on **lay-by**.

MONEY MANAGEMENT

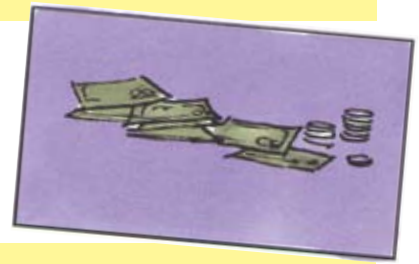
Rule number 4

Only use credit to buy things that last longer than it takes for you to pay for them!

BORROWING MONEY

Borrowing money does not always solve the problem — it can make it worse! But sometimes we need money quickly:

- A relative dies, and we have to help with the funeral.
- Our house may need urgent repairs.
- We need transport money for an unexpected trip.



What should we do — and what shouldn't we do?

Credit Providers

WATCH OUT!

I nearly ruined my family because I borrowed **too much** from a credit provider. When I couldn't pay it all back in time, the **interest** went up. I found myself **badly in debt**.

Never borrow from one credit provider to pay another. Because different credit providers may charge different interest rates, always ask how much you will have to pay and shop around for the best deal. Consumers have a right to a quotation and a pre-agreement statement that will be binding for five working days. Always remember to have a signed copy of your credit agreement/contract. This is an agreement between yourself and the credit provider in which the credit provider lends you money or supplies goods or services and, in return, you pay for the goods and services over a period of time. **You have to pay the interest, fees or charges on the money borrowed. This is regulated and the credit provider may not charge you more than the fees permitted by law.**

Retirement Fund

WATCH OUT!

In some jobs you (and usually your employer as well) pay into a retirement fund. This is invested for you and will be paid out at a certain age, or if you change jobs. You may be allowed to borrow money for a home loan from your retirement fund.

Try not to borrow from your retirement fund! But if you do, make sure you pay the money back before you retire. You will need it to provide for your old age.

Pyramid schemes

WATCH OUT!

Ayande's friend told him about a scheme he had joined. He paid R50, and found four friends to do the same. Each friend would then bring in four more friends, and so on. He was told he could make R4 500 in one year!

Ayande lost his money!



Pyramid schemes have many names and are slightly different from each other. But they are all **illegal** and **dangerous** and must be avoided! Pyramid schemes promise us fast, easy money. You pay a certain amount of money, and get some friends to do the same. Then you wait. But instead of getting rich, you **lose all your money!** *Don't put your rands into just anybody's hands!*

Never be tempted by promises of making money fast. If it sounds too good to be true — it usually is!

Things to think about

...when you buy on credit



Before you buy anything on credit, think:

- Do I really need this?
- Have I planned for it?
- Can I afford the monthly instalments?
- Can I pay the instalment every month for 12, 24 or 36 months?
- Can I rather save the same amount as the monthly instalment, and pay cash after one year?
- Can I buy this item cheaper somewhere else?

...when advertisements tempt you



One of the reasons we want things we don't really need is advertisements. Advertisements are meant to make us want things. Let's look at this advertisement carefully.

The words 'deserve' and 'comfortable' make us feel that we need and should have this mattress. And 'depend', 'latest design', 'best quality' and 'special offer' help convince us that it is a good buy!

SO WHAT ARE THE FACTS?

The product is a mattress.
It costs R3999,00!

Remember, the rest is just there to convince us that we need the mattress and that we should have it — so that we will buy it! Before rushing off to buy something you see advertised, look for the facts first.

“EEZI-SLEEP”

The mattress you can depend on!



You deserve a comfortable night's sleep!

...when you borrow from a credit provider

If you are charged a higher interest rate than the maximum for normal loans, make sure the credit provider is **registered** with the **National Credit Regulator (NRC)**. The NRC has rules that all registered credit providers have to obey. Look for the **certificate** on the wall or in the window. If there isn't one, the business may be **unregistered**. Check. **It is very risky to do business with an unregistered credit provider.**



Never sign a **contract** which still has **blank spaces** in it. This is dangerous. Someone may fill in amounts once you leave. Later they may insist that you pay because your signature is on the document. Ask for a **copy of the contract**.

Read the contract carefully and make sure it is explained to you in a language you understand. **Never** sign anything you do not understand.

Always think carefully before going to a credit provider. The interest is **very high** — sometimes as much as 40% a month. If you borrow R500, you must pay back R700 at the end of the month! If you do not pay it all back on time, you will be charged more interest on the amount that you still owe.



Pay back the amount you agreed to pay, in the time that you agreed to pay it. **Never** borrow from one credit provider to pay back another credit provider.

Don't give the credit provider your **bank PIN number** or allow him or her to keep your **ID book** or **bank card**.

THIS IS ILLEGAL.

MONEY MANAGEMENT

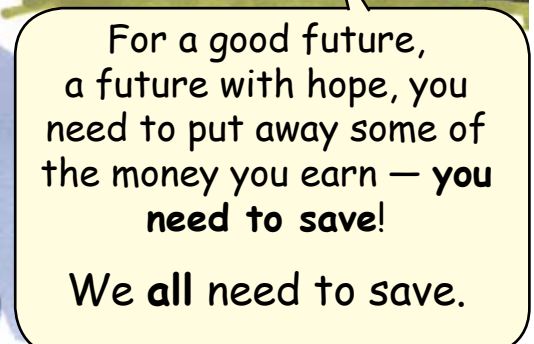
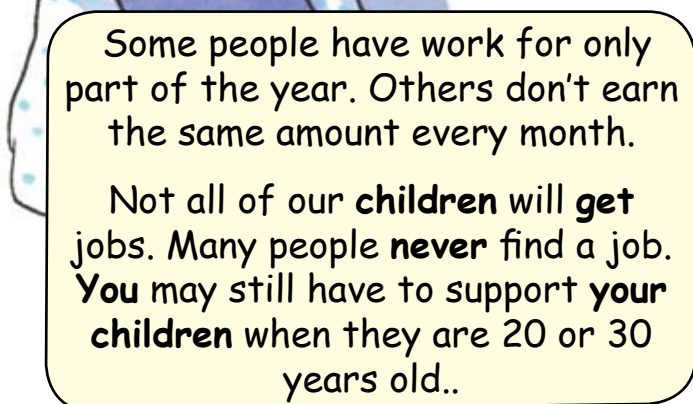
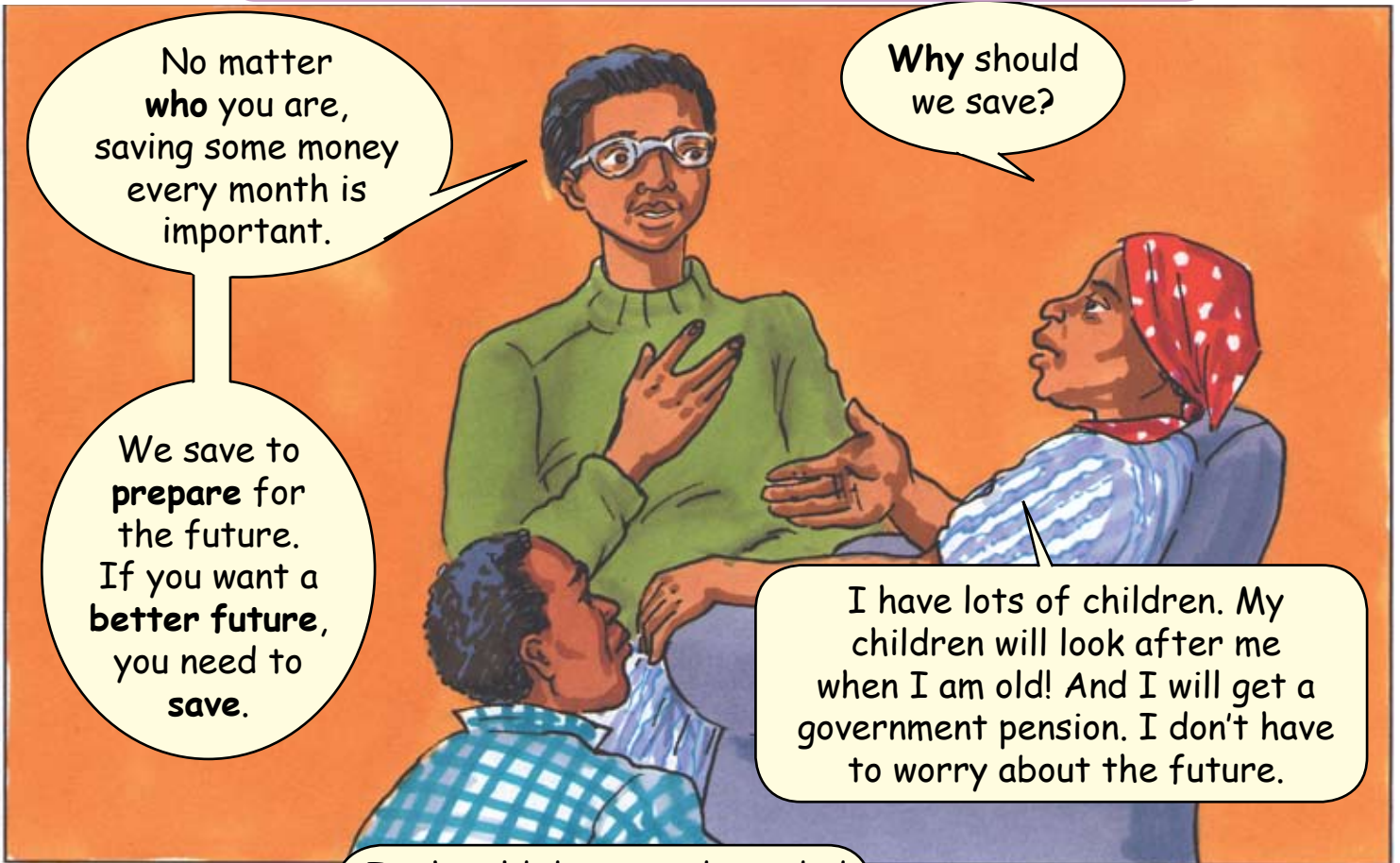
Rule number 5

If you must borrow from a credit provider, keep the amount small.
Pay it back as quickly as possible.

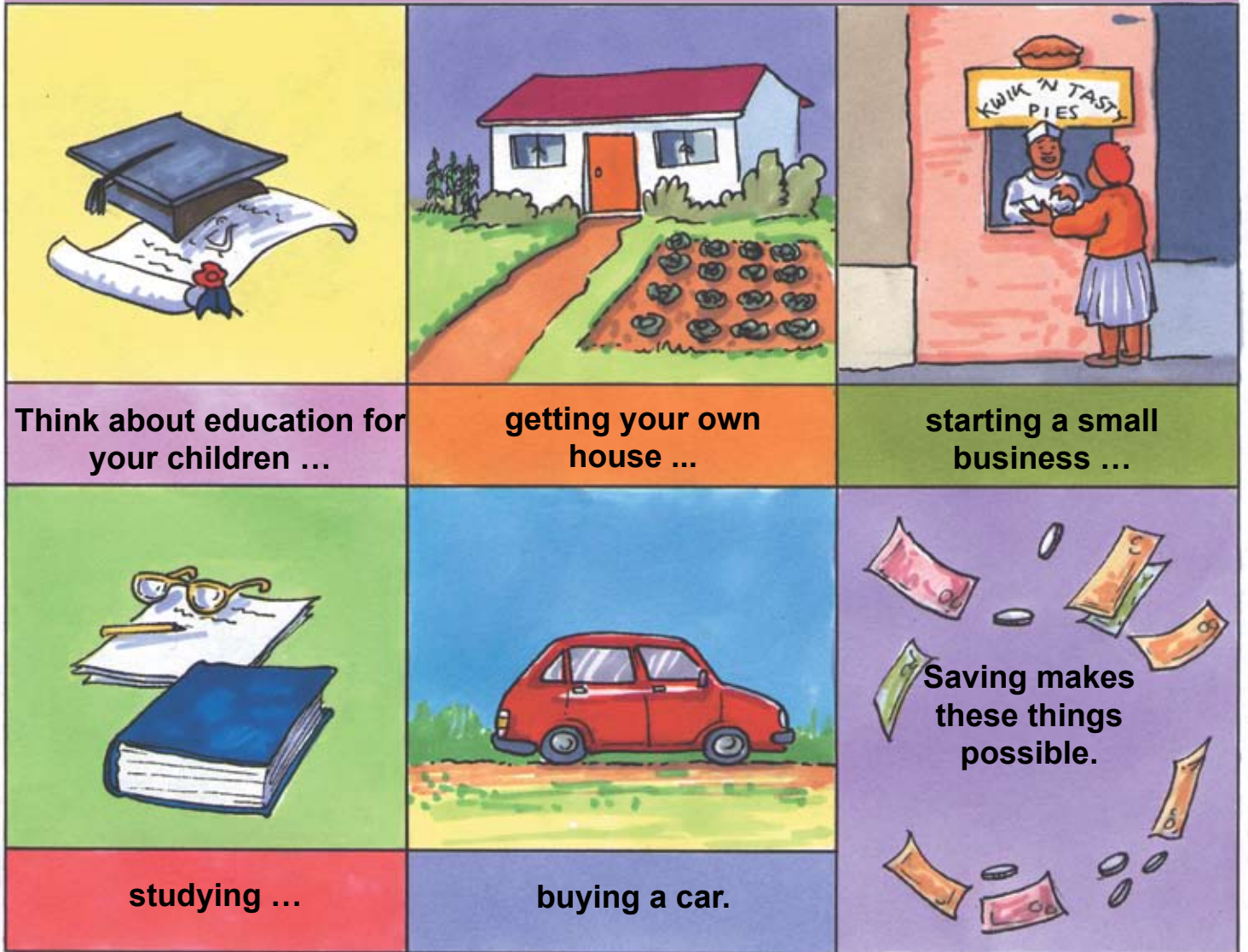
Saving

or

How to stay out of trouble



Many things are possible if we save ...



For some of us, saving simply makes it possible to provide our families with shelter, food and other basic needs in times when we have no income at all! But it is especially important to save for your old age!

... but saving takes time

To be successful at saving, you have to believe it is important, stick to it and ... have patience.

Saving does not make you rich overnight. It takes time. Do you have the patience and determination to make your future a better one? Save some of your money, even if it is only a little at a time. Be patient. You *will* see results.

Believe in your future — save money today.

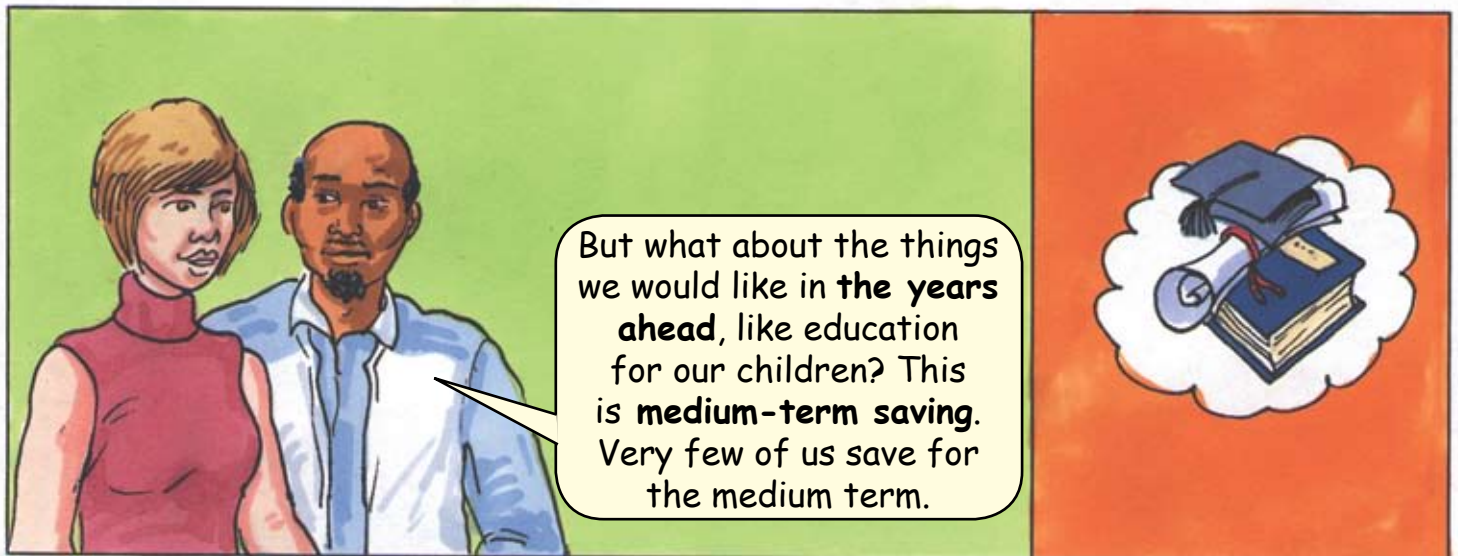


What are you saving for — next month? Next year? The distant future?



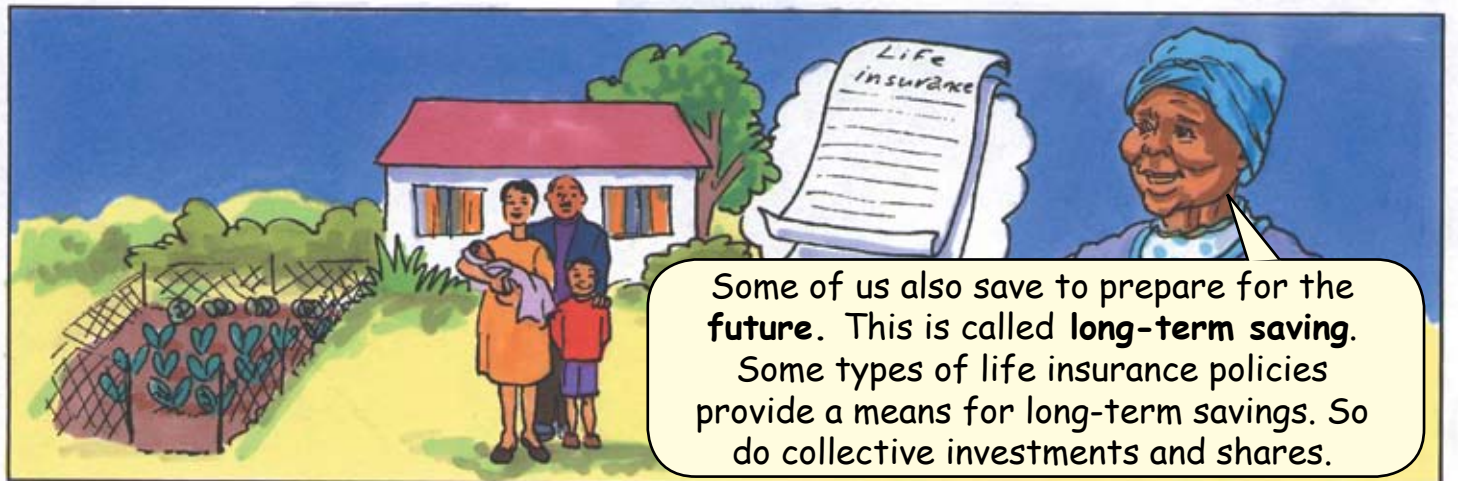
Most of us save for the things we want **soon**. This is called **short-term saving**. When you join a savings club, you are saving for the short-term.

Short-term saving means saving for a few months to a year.




But what about the things we would like in **the years ahead**, like education for our children? This is **medium-term saving**. Very few of us save for the medium term.

Medium-term saving means saving for the time in between — 3 to 5 years.



Some of us also save to prepare for the **future**. This is called **long-term saving**. Some types of life insurance policies provide a means for long-term savings. So do collective investments and shares.

Long-term saving means saving for a long time — 5 to 20 years.



Saving allows you to plan for things in your life — for yourself, your home and your children.

There are many ways to save ...



You can put your money under your mattress ...



You can join a savings club in your community ...



Or you can use a bank or other formal financial institution.

The mattress method

Whether you put your money under a mattress, hide it in a pot, in a shoe, or at the back of a cupboard, you will be tempted to use it — and it will not be safe! **But most importantly, it cannot grow. This is not wise saving.**

The savings club (stokvel) method



Savings clubs or stokvels, are also sometimes known as burial societies or lekgotlas. They are a good way to save money if you live far from the nearest town or bank.

The advantages of savings clubs:

- They are familiar and easy to understand.
- You usually know and trust each other.
- You take turns to get the savings, as a lump sum.
- You know when it will be your turn to get the money, so you can plan what to spend it on.
- The other people in the club usually live close by, or meet regularly, so transport is not a problem.

The disadvantages of savings clubs:

- Most savings clubs do not have written rules or contracts. They are based on trusting each other.
- Without this trust, you have no protection if your money is stolen. There is a risk of other members not paying (defaulting).
- In some cases interest may not be earned.



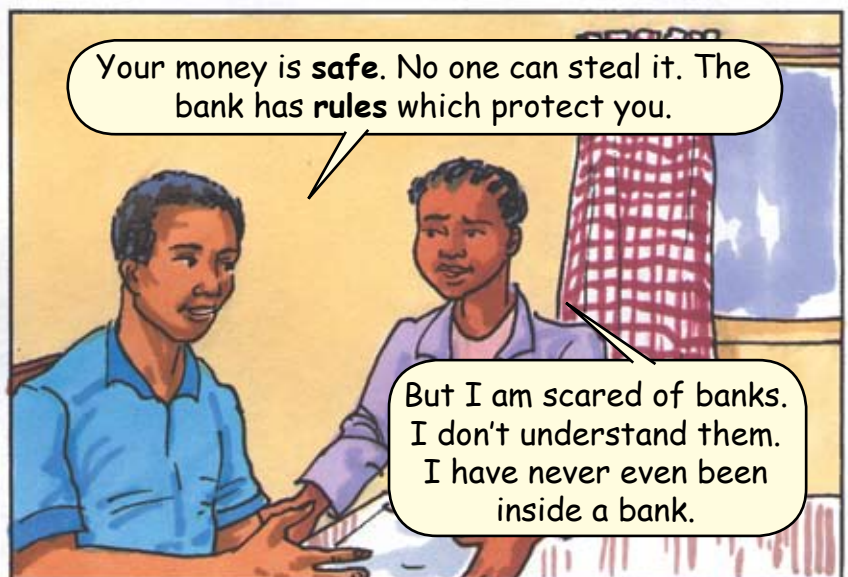


In the old days, savings clubs were simple and easy. Members knew and trusted each other. These days, a dishonest person can start a club and take your money. Our lives are busier and strangers come to live in our communities more often. **We have to be more careful. Never** give your money to a stranger who promises to start a new savings scheme.

You can save through a group scheme at any of the banks or through a savings club like NASASA. When you join a savings club, make sure that the club has a constitution and that they have rules for running the club.

Despite these dangers, saving clubs are good for **short-term saving**, if you know and trust the people who run it and if the leaders of the club write everything down. Ask the banks for information about their services offered to stokvels and savings clubs and for advice on investing their savings.

The bank method



Banks are there to help us! You have a right to go into any bank and ask the financial advisor to explain what services it can offer you, including those offered by other financial institutions.



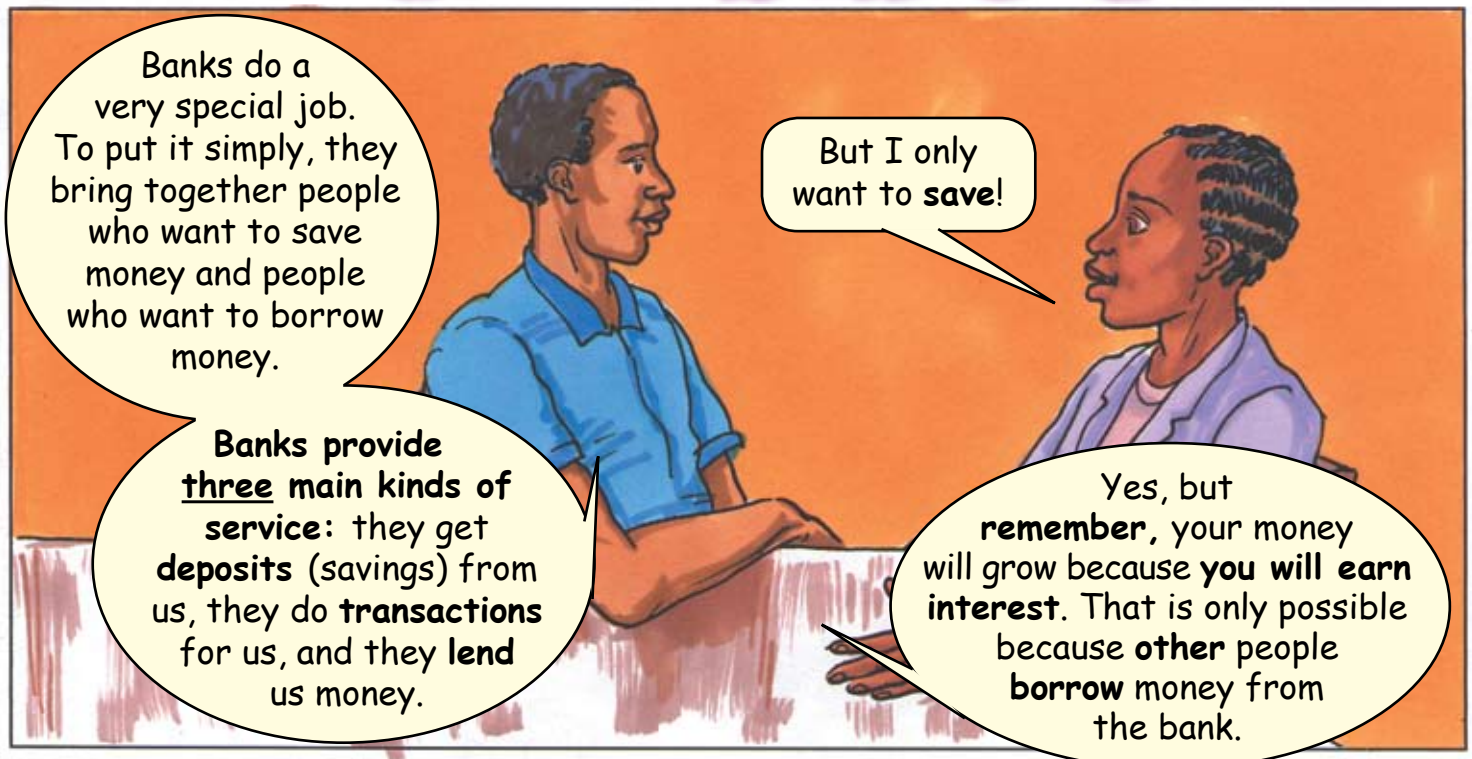
Now is a good time to find out what banks do, and how they can help you! This book will also help you to find out about other financial institutions.

MONEY MANAGEMENT

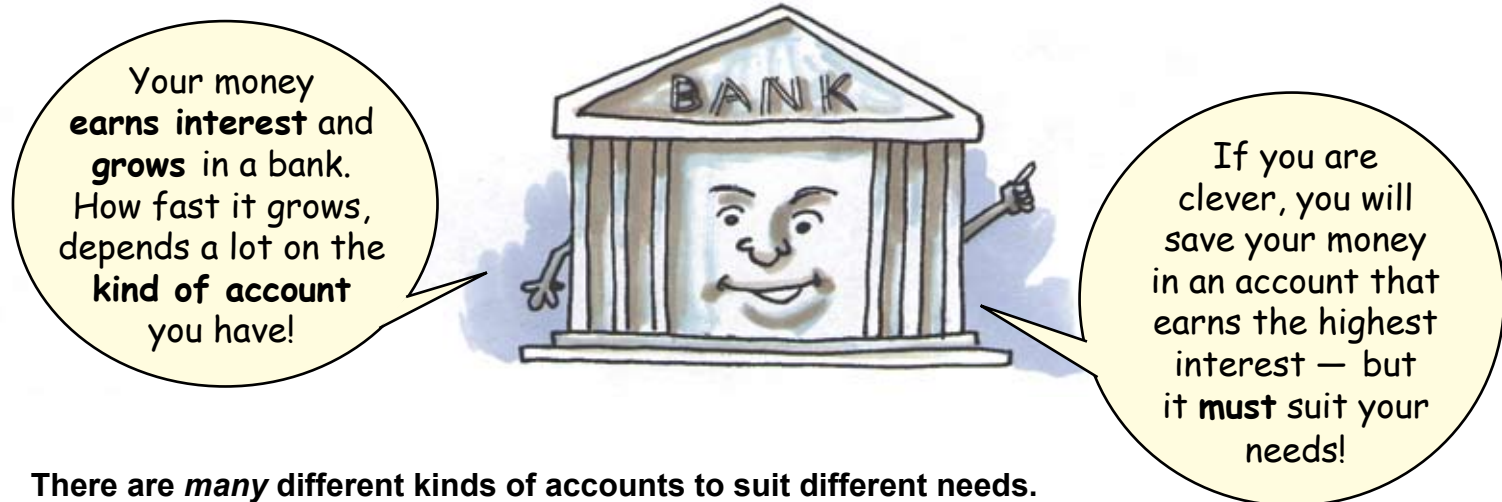
Rule number 6

Save a little money every month. Choose your savings club carefully!
Save only with people you know and trust!

What do banks do?



Different kinds of savings accounts



There are *many* different kinds of accounts to suit different needs. These are the two you are likely to use if you are starting to save, but be sure you understand the costs involved.

Savings Account

Savings Accounts are simple and easy to manage. You can put money into your account or withdraw it (take it out) whenever you like. If you use an ATM (Automatic Teller Machine), the bank doesn't even have to be open. Banks are all slightly different, but you will need a small amount to open the account and you must keep a minimum amount in it. Check this with the customer advisor at the bank you choose. A Savings Account earns interest — how much this will be depends on your balance. (See page 30 to find out more about interest.)

32-Day Deposit Account

You need a bigger amount to open this account. You don't have to add to it, but you can. If you want to withdraw money, you must tell the bank 32 days beforehand (32 days' notice). This makes you plan ahead and think before you use your savings. You earn a higher rate of interest on a 32-Day Deposit Account, because you cannot take your money out until after 32 days.



I'm ready to start **saving!**
What should I do?

The place to start is with a **savings account.**
This is what David did.

David's Story



David earned R1 000 a month. He was paid in cash. He had never used a bank before he started saving.



He went into his friend's bank and asked to see a financial advisor. He explained that he wanted to save R50 a month.

The advisor helped him to open a Savings Account. She gave him his ATM card and showed him how to use it. At first he was unsure about using the ATM ...



... but with the help of a bank official, he soon learnt! Every month, no matter what, David put R50 into his savings account.

After a few months, when David had saved R250, he asked to see the advisor again. He wanted to earn higher interest. The bank was happy to help him.



They advised him to put R200 of his savings into a 32-Day Deposit Account. The rest he left in his Savings Account. Now he had two accounts, with his money growing in both!



David carried on putting R50 into his Savings Account every month. When he could, he also put money into his 32-day account. He learnt how to manage his accounts electronically (at the ATM).



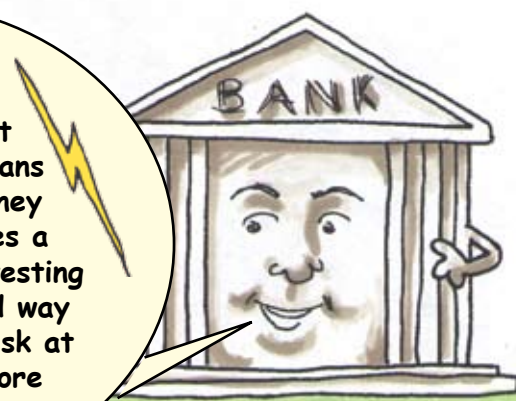
18 months later, David is feeling great. He has R464 in his Savings Account, and R600 savings plus interest in his 32-Day Deposit Account. That's over R1 000!

What should David do with that money?

It is up to him. But because he is sensible and careful, he does not spend it all.

He takes the family out for supper to celebrate — and he keeps the rest in the bank for a rainy day!

Never spend all the money you have saved. Always invest some of it. Invest means save some of your money in an account that gives a higher interest rate. Investing in retail bonds is a good way of saving your money. Ask at the Post Office for more information on retail bonds.



No matter how little you earn, save! Saving brings rewards.

What is interest?

I keep hearing about *interest on my savings*, but I'm still not sure what it really means!



It is just the payment or fee the bank pays you when you save your money with them, or charges you when it lends you money.

If you have a bakkie you hire out, your customer has to pay you a **fee** to use it.



In the business world, if you **lend** someone something, **he or she pays you** for it.

So if you **lend money** to someone, he or she **pays you** for the use of your money.



If you **borrow** money from someone, you have to **pay him or her interest**.



Interest is extra money that the borrower pays to the lender. This means you have to pay back **more** than you borrowed.

That is why your **money grows** in a savings account. The **bank** borrows your savings and pays you interest!



Interest is worked out as a percentage (%) of the amount you put into a bank account for one year. This is sometimes written as '...% p.a. ...'. One per cent (1%) is one hundredth. Look at the example on the right.

1% interest

If you **put in R100**, after a year you **get R101**.
If you **put in R500**, after a year you **get R505**.

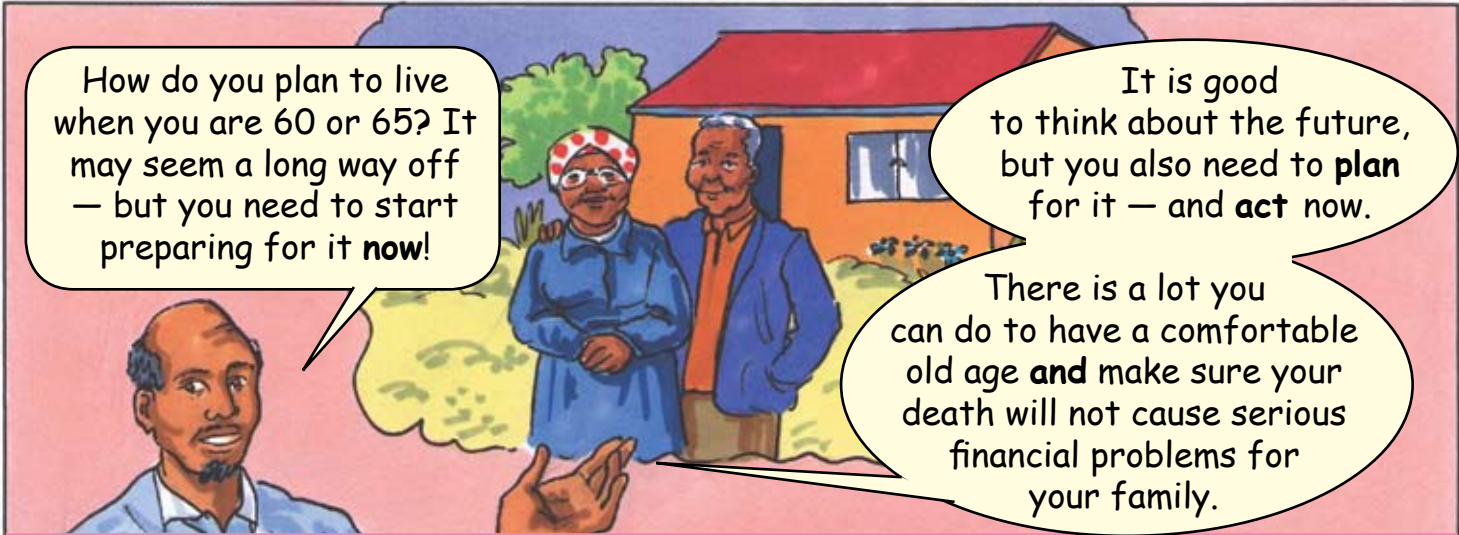
10% interest

If you **put in R100**, after a year you **get R110**.
If you **put in R500**, after a year you **get R550**.

Remember

ALWAYS ask how much interest you will pay.
Credit providers usually charge a **monthly** interest rate that works out at a much **higher** annual rate than that charged by banks on other types of loans.

Plan for your future retirement and insurance

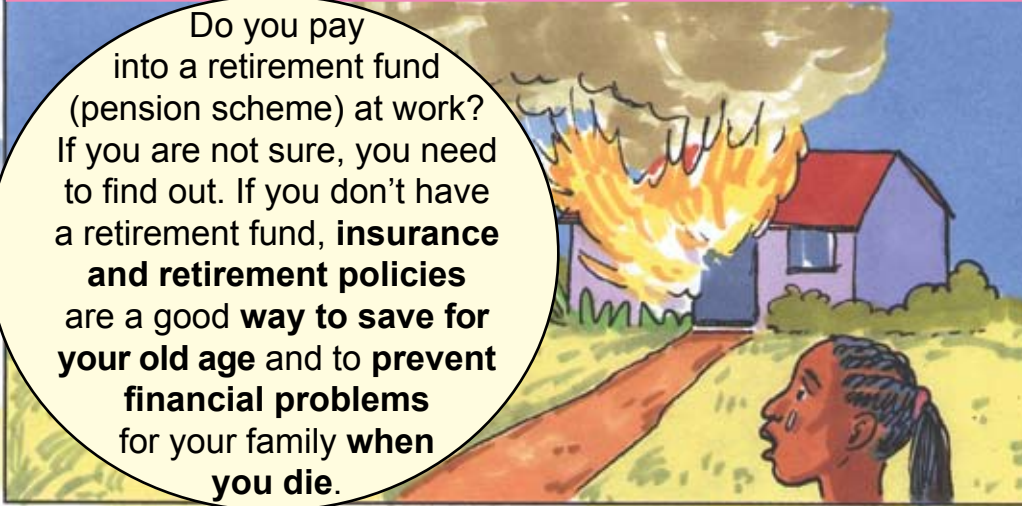


How do you plan to live when you are 60 or 65? It may seem a long way off — but you need to start preparing for it **now!**

It is good to think about the future, but you also need to **plan** for it — and **act** now.

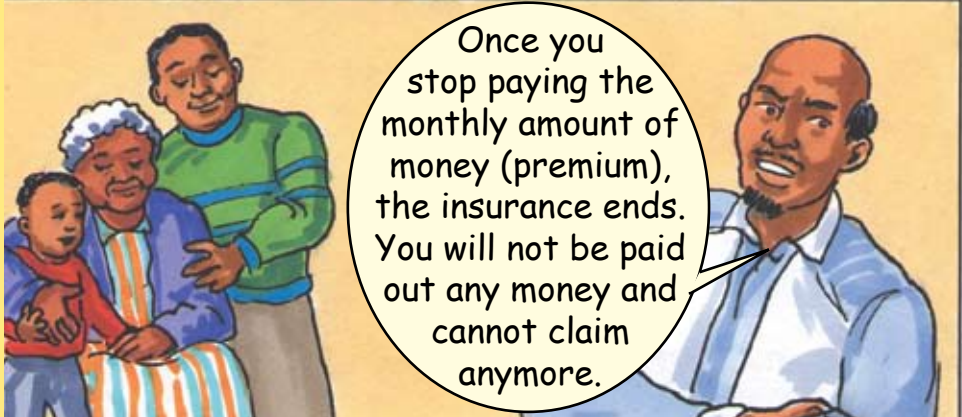
There is a lot you can do to have a comfortable old age **and** make sure your death will not cause serious financial problems for your family.

Do you understand insurance policies?



Do you pay into a retirement fund (pension scheme) at work? If you are not sure, you need to find out. If you don't have a retirement fund, **insurance and retirement policies** are a good way to save for your old age and to prevent financial problems for your family **when you die.**

There are **two kinds of insurance policies**. **Long-term insurance** covers the more important events in life, such as death, retirement and disability. You pay a premium (an instalment) every month so that you will get money back when you are a certain age.



Short-term insurance insures your possessions (e.g. your household goods) against things that may happen, like fire, theft or damage. You pay a monthly amount of money and you will be able to claim the value of the goods only if they are stolen or damaged.

Once you stop paying the monthly amount of money (premium), the insurance ends. You will not be paid out any money and cannot claim anymore.



Let us learn as much as we can about retirement and insurance policies. Knowledge is power!

Long-term insurance

Choose the type of long-term insurance that suits your needs best. **Life insurance** and **funeral policies** provide for your family **after your death**, while an **investment type of insurance** (e.g. retirement annuity, endowment) provides you with either **an income** when you are **old** or a **lump sum** on the date your policy is paid out.

Life insurance policies

You may die suddenly. What will happen to your family? Who will pay for rent, food, schooling, etc.?



With life insurance you insure your **life**, usually for a **lump sum** (such as R100 000) which is paid out to your family when you die. Your monthly payment is called a **premium**. Some life insurance policies include **disability cover**. This means that if you become unable to work, a lump sum or a monthly amount will be paid out to you.

Watch out!

The lump sum, say R100 000, may sound like a lot of money now, but check what it will be worth in twenty years' time. Prices are rising all the time and we cannot buy the same things for R20 today that we did 10 years ago. Our money buys less each year. In 10 years' time, your R100 000 may only be worth the same as R50 000 today!

Check that the life insurance you have suits your needs:

- Some types of policies are cheaper than others.
- Some pay out a lump sum, others a monthly amount.
- Some life insurance policies include disability cover.

Watch out!

Funeral policies make sure your family will not have to find the money for your burial when you die — or they will help you give your loved ones a proper burial.

Many unregistered companies offer funeral insurance which may be worthless. Check that your funeral policy is from a company that is registered with the Financial Services Board (FSB). (See contact details on back cover.)

Check for any exclusions (special conditions) that may prevent the policy from being paid out, e.g. "no pay-out within the first year" etc. and don't buy more policies than you need.

Funeral policies

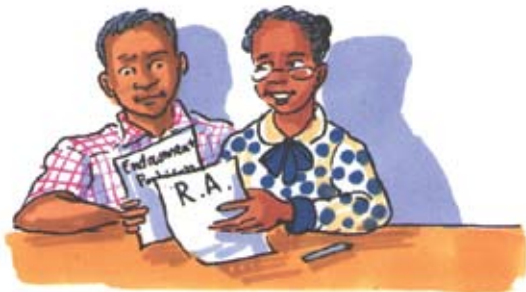
Someone you care for may die and you will need money for a funeral. Where will you find it?



With a funeral policy, you pay a monthly **premium** and receive a **lump sum** of money on the death of the person you have named in the insurance policy. If you have a funeral policy for yourself, your family will get the money.

Not everybody has a retirement fund where they work, and the government's old-age pension may not be enough to live on comfortably. Yet people often do not plan properly for their old age. Retirement policies give us the security of knowing we will get some money when we reach a certain age (or after paying for a period of time). The younger you are when you start to save for your old age, the better off you will be.

Retirement annuities



A **retirement annuity** is really a type of saving — a bit like having your own pension scheme! You pay a **monthly premium** and then, when you reach a certain age, you get a payment **every month for the rest of your life**. You can access the benefits from the age of 55 years, depending on your plan.

Watch out!

Retirement Annuities (sometimes called RAs) are a good investment. They allow you to plan for an income in your old age. Some RAs also include life cover. (An extra amount is paid out to your family when you die.) Check with a financial advisor whether this applies to your retirement annuity. Make sure you understand what the benefits are as they may not be enough to provide for your needs when you retire.



Watch out!

Because endowment policies are paid out as a lump sum, you could be tempted to spend all the money at once and you will end up with nothing! If you want to have an income for the rest of your life you must invest the money.

Ask your insurance company for more information on the choices that are available to you when the maturity date is reached, and be sure you understand these choices clearly.



Endowment policies



As with retirement annuities, you pay a monthly premium until a certain age, which establishes the maturity date. The big difference is that an endowment policy often pays out all the money in a single amount when the maturity date is reached. Then it is up to you to invest it wisely so you can draw an income from it every month. Some endowment policies also include life cover which means that your family will be paid out a lump sum if you die before the policy matures.

Don't buy more long-term insurance than you really need.

Short-term insurance



Short-term insurance insures your possessions — the things you own — like your car, your cellphone or your furniture against theft or loss (e.g. fire, burglary) and sometimes damage. The cost depends on what you are insuring, but you pay a certain amount every month to cover you for that month. If you want to cancel your insurance, all you need to do is give a month's notice in writing.

You can take out short-term insurance for your house and other belongings. You can also take out insurance on one item, e.g. your TV, when you buy it on **hire purchase (HP)**. Some shops will not let you buy an expensive item, like a lounge suite, on HP unless you already have insurance cover for the contents of your house or take insurance out through the shop. This is so that the amount still owing can be paid by the insurance company to the shop. The shop will often offer to arrange the insurance for you, but you **do not have to buy it through them**. Shop around for the best insurance.


Watch out!

When you decide to insure your **house or belongings**, work out how much it would cost to replace them. This is the amount you insure them for. You will not get paid out more than that. For example, if you insure your house for R50 000 and it burns down, you will not be paid out more than R50 000. Make sure you are insured for the right amount.

Car insurance is different. You are only paid out what the car is worth. It is your responsibility to check the value your car is insured for. The older it is, the less it is worth! If you are responsible for an accident and don't have comprehensive insurance, you will have to pay for damage to the other car and injury to the driver, or any other costs.

If your policy has an **excess** clause, **you** will have to pay part of the amount yourself. Check this when you buy insurance. Make sure you are insured for the right amount — **it is your responsibility!** You are **only** paid out if the insured item is **stolen, lost or damaged (in some cases)**. Once you **cancel** your insurance policy in writing and **stop paying** your premium, your insurance cover ends. You do **not** get any money back.

Buying insurance




If you want to buy insurance, go to a **qualified intermediary, a broker or financial advisor**.



It is important to deal only with a person that you **trust** and that is **registered** with the Financial Services Board.

An *insurance salesperson, broker or intermediary* is a person who is allowed to *sell* insurance. Insurance salespersons or brokers know about different kinds of insurance. They can advise you and help you work out the best type of insurance for your needs. Make sure you know which company you are insured with and have copies of every policy/contract. You can also buy insurance direct from some companies. Make sure you keep *all receipts and records* that prove you have made payments! *Remember, no premium, no cover!*

Things to ask the insurance salesperson



Many people buy insurance without fully understanding their insurance policies. To stop this from happening, a new law has been passed for insurance salespeople.

From now on, there are certain things that they *have* to tell you when they sell you a policy. Ask about anything else you want to know.

The insurance salesperson will be able to give you certain information, including:

- All the **details** about each policy, what it **covers** and what you will be **paid out**.
- All the **contact details** of the insurance company, including the **company's name**, **address** and **telephone number**.
- The **exact amount** that you will have to pay every month (your **monthly premium**) and how your premium is made up (worked out).
- All costs under the policy, including the commission:
 - whether or not the premiums will be **increased** each year.
 - whether or not there are **special conditions**, like things not covered (exclusions), part of the claim that you must pay yourself (excess), etc.



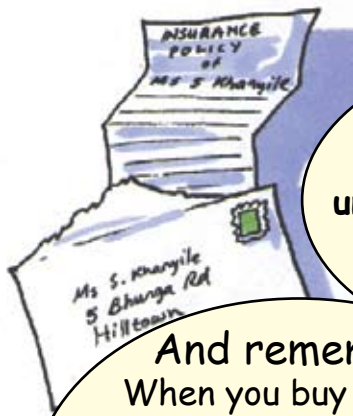
Most insurance policies (long and short-term) contain **exclusions** (things that they do not cover). You need to know exactly what is covered and what is not covered when you take out any insurance policy.

- Exactly what you must do when you want to **claim**.
- That you are allowed a **15-day period of grace** for late payments. In other words, if you have to pay by the 2nd of each month, you are actually allowed 15 more days for the premiums to be paid.
- That in the case of **long-term insurance only**, you are allowed to cancel the policy within 30 days after receiving the policy documents, so long as you have not yet claimed. This is called a “cooling off” period. **A cooling off period is a right which you are given to reconsider your purchase and cancel the contract within a certain time limit from the date of entering into the contract (normally 30 days).**
- Make sure you understand all features of the policy.

MONEY MANAGEMENT

Rule number 7

If you can afford it, take out insurance to cover your needs. Make sure that you understand your policies well. From time to time check that they still suit your needs.



All of this information must be told to you in plain, understandable language. You must also get it in writing within 30 days of discussing it.



Make sure you know the **name, address and telephone number** of the insurance company. **Always** tell the insurance company if you **change** your address or telephone number.

And remember! When you buy a policy, you are not insured with the **person** who sells you the policy. He or she is just the **salesperson**. You are insured with the **company**.



- Read all your documents and ask the intermediary to explain what you do not understand.
- Never sign a blank document.
- Keep all your policy papers in a safe place.
- Never give incorrect information to the salesperson or on an application form. It can result in the insurance company not paying your claim.
- Discuss your policy with your partner, so that he or she knows what to expect.

Retirement funds

Some people belong to group retirement funds at their **work**. If you are one of them, your employer may pay the contributions (instalments) or part of it may be taken off your wages each month. Whatever the case, your retirement fund can provide a monthly pension or lump sum to provide an income after you retire, and there may also be other benefits — **so look after it!** What does this mean?

1. If you lose your job and are paid out, **put the money into another retirement fund** if you can.
2. **Don't spend the money!**
3. **Don't** borrow from your retirement fund — if you do, pay it back before you retire.
4. **Always** tell the retirement fund if your address, personal details, etc. change.
5. **Once a year** you will receive a **benefit statement** showing you the position of your fund — make sure you get it.
6. You can get information on a pension fund you used to belong to from the FSB Call Centre.
7. **Don't pay anyone to get information for you!**

MONEY MANAGEMENT

Rule number 8

Only deal with people you can trust. Don't be scared to talk to the intermediary about anything that worries you or that you don't understand.