

Debt & Credit

Good and bad decision-making

PERSONAL FINANCIAL LITERACY



When we think about managing our money well, so much of it depends on the decisions we make.

Often we make decisions based on what we want rather than what we need. Sometimes it is to impress other people or just because we have always done it. Good decisions and thinking about all of the other choices can be the way that we can manage our money really well.

If we don't have much extra money it may cause debt and having to borrow, maybe from a mashonisa. If we do have money, we need to ask, "Do I really need this now"? Remember, if you have money in your account, it is better to put it into a savings account and let your money work for you, making interest every month. Then you can buy what you want with the interest without using any of the money you have invested. When your money is making money you can spend it much more freely because the money saved just keeps creating money for you.

Think Again be money wise!

Here is a saying that should be followed every time you need or choose to spend any money outside of your budget – especially when there is only a little extra money available.

STOP!...

**Count to 10...
think again...
be money-wise!**

- "COUNT TO 10" means that you give yourself time to think slowly and carefully.
- BEFORE SPENDING MONEY think about 3 reasons why you should spend, then 3 reasons why you shouldn't, then decide.



The dangers of getting into debt



Never rush into borrowing before thinking about repayments.



Only take out a loan on something you need rather than want.



Make sure the thing you wish to buy, with the money you borrowed, is a good bargain price.

You need to understand the dangers of spending more than you earn, especially when buying expensive items on hire purchase through an instalment sale agreement.



The danger of buying something on credit is that the repayment amount may look small, but you need to ask for or calculate the full amount including the interest, so that you can make a money-wise decision. If you buy goods on credit you will have to pay large sums of money in interest. We are going to look at that next.

Interest is a great thing when you are earning it but not when you have to pay it.

When you borrow money to pay for something or buy something on hire purchase you end up paying other people a lot of money to borrow their money. You end up paying interest to them with money you could have saved or used for something else that you needed. You should save and pay in cash whenever you can. Then you would be able to save more and never have a bad credit report. Sometimes there is no other choice, and you have to borrow, but always consider all of the other possibilities.

