

Savings and investments

PERSONAL FINANCIAL LITERACY



If we use all the money we receive we struggle to survive, but if we live remembering tomorrow, we can have more peace of mind.

Farmers sell some of their mealies, they eat some of their mealies, and they keep some of their mealies to plant for next year. We need to do the same with our income. When we are earning a salary or living off the interest of our invested money, we need to always think about the years ahead when we may only have a small income¹.



Why Save?

Saving is keeping money for tomorrow. So saving is keeping money to help with future needs. The needs can be expected (e.g. school fees) or unexpected needs or emergencies (e.g. replacing things that were stolen).

Seven Steps for Saving:

Here is a list of the seven steps for saving that we will be looking at together. If you learn these 7 steps and use them in your life, you will have learned something that is not only useful but very important in giving you a chance to make choices you may never have had before.

1

Choose a savings goal

2

Make a savings plan

3

Know the difference between needs & wants

4

Control your spending

5

Think about the future, money in money out

6

Save regularly

7

Save in a safe place

If you follow these simple rules, your savings are sure to grow!

Things to remember to be money wise

We need to put some of our money to work by saving it and earning interest. This way it grows steadily. Start with just putting away a small amount every month and watch it grow. This money should not be used unless there is an emergency.

If you receive a lot of money, like the payment from the compensation fund or a Lotto win, you should not spend any of it straight away, even if there is family and community pressure. If you invest it all then your money starts to earn money for you.

- As soon as you put money into your savings account it starts to earn interest for you, and each month you earn interest on the total amount from the month before. This is called compound interest.
- Deposits are possible at retailers, branches, and ATMs, and with some banks, cell phone updates are free.
- With some special savings accounts, you can get bonus interest as an extra perk if you reach your three-month savings target. Remember that different savings accounts have different conditions on how much notice you have to give before you make a withdrawal.
- There are many ways of investing rather than in a bank, like life insurance policies, Unit Trusts and Government Bonds, but it is best to do this with the advice of someone who really knows and understands the risks and responsibilities.

Here is a simple example of saving R100.00 regularly, every month, with an interest rate of 10%:

No of Years	Payment per Month	Amount Saved Per Year	Total with No Interest	Total with 10% Interest
1	100.00	1 200.00	1 200.00	1 267.03
2	100.00	1 200.00	1 200.00	2 667.46
3	100.00	1 200.00	3 600.00	4 213.00
4	100.00	1 200.00	4 800.00	5 921.18
5	100.00	1 200.00	6 000.00	7 808.24
6	100.00	1 200.00	7 200.00	9 892.89
7	100.00	1 200.00	8 400.00	12 195.83
8	100.00	1 200.00	9 600.00	14 739.93
9	100.00	1 200.00	10 800.00	17 550.42
10	100.00	1 200.00	12 000.00	20 655.20
20	100.00	1 200.00	24 000.00	76 569.69
30	100.00	1 200.00	36 000.00	227 932.53

Always remember to
STOP!...
Count to 10...
think again...
be money-wise!

