

November 2022

News Release

5 ways a bank loan can help you to grow

Though many people may view a bank loan with trepidation, most have used one to upgrade their circumstances at some point in their lives. When buying your first car, or paying for a tertiary education, a loan is seen as an investment in your future. It can help to create wealth or improve your earning power. It represents growth. And, when you harness that mindset in your financial life, a loan can be the key to financial freedom as well.

African Bank says there is always value in paying off something that helps you grow and believes people should not be scared of credit, but rather view it as an enabler. Research from the Bank has shown that the top five reasons for taking out a loan include: home improvements; followed by education/fees (college or school); family member assistance/loan; assistance with a funeral or other 'specific' big item payment/purchase; and last, but not least, to consolidate finances.

A loan, when used correctly, breaks the cost of life's big events into more affordable portions that you can pay off without harming your standard of living. But it can achieve so much more than that. A loan can help you to escape the debt trap and improve your financial health. It also forces you to manage your money better.

Here are 5 ways from African Bank on how a loan can help you:

Improve your credit score: Taking out a loan, and then making repayment timeously, will help to build a healthy credit score. This, in turn, means you will qualify for more credit and more favourable rates in the future. Remember, you need to be over 18 to apply for a loan and will need to produce a recent proof of income which reflects at least three salary payments (i.e. payslips) and a recent bank statement reflecting three salary deposits.

Simplify your debt: A consolidation loan is a practical way to simplify your debt. It replaces multiple sources of debt with one loan and one interest rate. That means you will only have one repayment amount and date to think about going forward, and you will save on the overall cost of credit as well.

Afford a big purchase: Few people can afford something like a home renovation, or even a new phone, with one cash payment. A loan means you can pay these off through more affordable instalments. It's even better when your purchase helps to

improve your quality of life or your earning potential. That's when a loan becomes an investment in your future.

Finance a big occasion: Events like weddings, emergency car repairs, and overseas trips can cost a fortune. Unless you have been diligently saving, or have an emergency fund, a personal loan can help you to afford these occasions without harming you financially, especially when allied to a sound monthly budget.

Pay for education: Though all parents want the best for their children, the best comes with a tricky price tag. This is especially true of education. A personal loan makes it easier to afford the cost of a tertiary education, even while you are taking care of those day-to-day bills.

It is worth noting that you may save more by borrowing more. In general, the larger the loan, the lower the interest rate. So, there's a chance that you may actually save money by borrowing slightly more. An extra R500 on your loan, for example, may bump you up into a better interest rate bracket which may save you money over the repayment period.

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