

African Bank Limited press release

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### **Give your finances a spring clean**

Now is a great time of year to get your financial daisies in a row and to start thinking about how you can be more financially savvy. African Bank's Group Executive: Sales, Branch Network, Mellony Ramalho, says a good place to start is to put all your expenses, incomes, policies, and any other financial obligations down on the table and to have a good hard look at it all.

"If you have been doing well and working within your budget, then well done. Perhaps you've been saving toward a holiday, something new for the house or paying off debt and you've achieved it. Celebrate your financial resolve. If, however, you look at your finances and there is growing debt, overspending and no savings or investments, then now is the time to make a change," she says.

She believes the 50/20/30 rule is still the way to go. "Basically, this rule states that 50% of your budget should go towards paying your fixed expenses such as rent, water, electricity, insurance etc, 20% towards your savings and investments and, finally, 30% should be reserved for any additional costs that vary from month to month, such as petrol, groceries, entertainment, eating out, etc."

"Where many of us fall short is over-spending on entertainment and luxuries. And where do we pinch from to pay for this? From our savings and investment portion. The wiser choice, of course, would be to cut down on spending on the nice-to-haves. Try eating out less or opting for cheaper restaurants, pay attention to brands and specials when grocery shopping and compare prices. Restrain yourself from impulse spending," advises Ramalho.

Make debt repayment a priority. "You need to understand that there is interest charged on debt. The quicker you pay off your debt the less interest you pay. Get strategic and work out a debt repayment plan. If you need help, ask an expert. Anyone who has had to apply for debt consolidation will understand what it feels like to wish you'd been a little bit more budget-savvy and credit-conscious."

But, says Ramalho, it's important to have a credit history for any future credit applications so she recommends keeping credit accounts open even if you aren't actively using them for a period. "When you need money for an emergency or are unable to afford something that you really want or need, credit can offer benefits and can assist you. However, credit isn't free. Initiating credit with any bank entails interest, service and initiation fees added onto the required amount, which means you pay an increased price for the money that you borrowed when you finally pay that amount back. It is definitely

worth shopping around to find the best deal possible and important to compare offers from a few credit providers before you decide to accept an offer.”

And while you are doing your spring finance review, Ramalho recommends checking all your policies and other essential documents such as your Will. “From 11 to 15 September it’s National Wills Week and it’s an opportune time to create a Will if you don’t have one or to update your existing Will. It’s important to know that in the event of your death your finances will be handled correctly. There are financial institutions that will be able to assist with your Will possibly free of charge.”

“It’s also good to review your policies such as retirement annuities, insurance, medical aid and so on to make sure they reflect your current income and lifestyle. Keeping these up-to-date and relevant is a good discipline,” she adds.

“The key to financial freedom is being strict about recording all your financial activity in the month and sticking to the limits that you have set out for yourself. Staying on top of things and finding what works for you is the best way towards a worry-free financial future. Happy Spring time,” Ramalho concludes.

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