

African Bank Limited press release

November 2018

How to stash a lot more cash - avoid common mistakes people make

The rise in petrol and food prices has been taking a toll on people's budget over the last 12 months and 2019 looks like another tough year for most people.

Higher prices all around have many people looking to save money any way they can. While saving money may sound pretty simple, it is easy to make some fundamental mistakes which can actually hurt your finances rather than grow them.

Mellony Ramalho, African Bank's Group Executive: Sales, Branch Network, says there are some common mistakes people make when trying to save money. Here are the five most common:

Mistake #1: Stopping Spending

One major mistake that people make is that they stop spending, since this seems to be the obvious way to save money. The problem is, this can sometimes lead to additional unforeseen expenses further down the road. It is better to stop spending on nonessentials but continue to spend on preventive maintenance and basic upkeep. You may save money today by skipping an annual health check-up for example but this could end up turning into a larger longer-term cost.

What to do: Make sure you continue to get your regular check-ups and make repairs in a timely manner, even if this means spending a little bit of money. It's not worth pressing your luck to save a few Rands today on things that are preventable, and risk having to make a major pay-out later on when there are a lot of other ways to save money.

Mistake #2: Buying Cheap, Not Buying Value

The lowest cost is not necessarily the best purchase. The real key to saving money is learning to buy whatever is the best value. Buying the cheapest tools that will only last a year or two, rather than paying twice as much for tools that will last a lifetime, ends up costing you more in the long run.

What to do: The key to saving money on a consistent basis is to learn how to shop for value. Price is just one factor that you need to consider when making a purchase. Other important factors include how long the item will last, what type of warranties it comes with and how often it will be used. Learning to shop value rather than price will save you a lot of money in the long run.

Mistake #3: Buy now pay later

When people need to save money, they usually look for a quick fix to reduce their costs and start paying for goods on credit.

What to do: The reason most people find themselves in debt in the longer term is they do not keep track on how much they are spending. An ostrich mentality does not help anyone and bank charges on credit all add to your burden. You need to keep and follow a strict budget and the golden rule is if you cannot afford something now, rather wait. A single money mistake can often turn into a bigger issue over time. Be patient and try and be disciplined.

Mistake #4: Cutting out things that make you happy

Many feel that saving money requires denying the things that make them happy. As a result they often procrastinate and take longer to start saving.

What to do: The truth is you may need to change certain things in your lifestyle but you don't need to change everything. Find a local cost-effective restaurant for a monthly family dinner treat rather than an expensive Mall restaurant for example. If you never reward yourself you probably won't stick to the plan. It's like a diet - better to follow a 80

- 20 principle.

Mistake #5: Believing There Is No Need to Make Fundamental Changes

Learning to save money is more than just knowing what you need to do. It can't be viewed as just a short-term problem.

What to do: You need to make fundamental changes by incorporating the money saving methods that you learn into your lifestyle. Understanding that the changes are part of the way you will deal with money from now on rather than a stop-gap for a current problem will make the likelihood of success much greater.

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PREPARED ON BEHALF OF AFRICAN BANK BY CATHY FINDLEY PR. CONTACT JACQUI RORKE ON JACQUI@FINDLEYPR.CO.ZA OR (011) 463-6372 WITH ANY CONSUMER PR QUERIES.