

African Bank Limited press release

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Get the most out of your first salary with these four tips

Earning your first salary is an exciting, life-affirming time. It might be tempting to blow your cash on a new work wardrobe, luxuries or spoils for family and friends - but if you're smart with your planning, you could make that salary work extra hard for you.

Mellony Ramalho, African Bank's Group Executive: Sales, Branch Network, provides the following four tips to help you get the most out of your first salary:

- **Budget**

Once taxes have been deducted and your bills have been paid, you might be disappointed to see how much is left... unless you've already budgeted! A budget helps you organise and plan your money, allocating your income towards expenses, savings and debt repayment, and ensuring you always know exactly how much money you have. Many people avoid budgeting because it seems too difficult, but there are many online tools and mobile apps that make it easier. You may wish to consider setting up your banking system so that your salary is paid into a current account, with debit orders going off to pay for your medical scheme membership, insurance policies and your retirement annuity. Set up a second account for additional voluntary savings. You will know that you can spend what is left in your current account on rent, food, transport and entertainment.

- **Pay off your debt**

Start by paying off the debt with the highest interest rate - this is usually a credit card. If you have a student loan, this repayment can also be quite hefty and can take years to clear, so start as soon as you can.

A Debt Consolidation Loan can help pay off your debt through one single loan. "Please note however that Consolidation Loans cannot be used to pay off student loans or revolving credit," says Ramalho.

- **Start saving**

Paying off your debt is important but getting started on your savings is equally important. If an emergency comes up, it's helpful to have an emergency fund of savings to dip into rather than getting into further debt to deal with whatever the problem might be.

The earlier you start saving, the more money you'll have - thanks to compound interest - that's the interest you earn as a depositor if you leave your deposit with the bank for a full year and only draw the interest at the end of that year. If you invest your savings in a

smart investment product, you will start to earn interest. If you continue to save that interest, you begin to earn interest on the interest. Your money works for you!

Ramalho says it is worth doing your research before you agree to any investments - look for products that offer cost-effective and transparent fee structures.

- **Protect yourself against disability and critical illness**

You may be fit and healthy now but an accident can strike at any time and then you need to know you are protected. Statistics from the US show that one in four workers will become disabled or be diagnosed with a critical illness at some point in their careers. In South Africa this number could even be higher. An income protection benefit pays you a monthly income during the period you are not able to earn an income due to injury or illness.

Also don't forget about retirement although the last salary of your career is the furthest thought from your mind when you've just started earning your first salary. Start planning for your golden years now and you can rest assured that you will be taken care of during your retirement years. Also remember to protect yourself from day-to-day unexpected health issues with medical and life insurance policies. Medical aid can be as basic as a hospital plan and you can choose a life insurance option that requires a minimal initial investment. Speak to your financial advisor to find the right fit for your income and your needs.

Ramalho concludes, "The most important tip to remember is that many of the financial decisions you make today could have a major impact on your long-term financial future so never rush into any decisions. Remember your earning potential is your biggest asset. Always do your homework and if you need guidance, ask a financial expert. Be sure of your long-term goals and know that the earlier you start, the better off you will be in the long run."

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