

African Bank Limited press release

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Saving is an attitude not just a tool

We have all heard the saying “money makes money” or “you need money to make money”. These types of beliefs can be demotivating for someone who has set a goal to accumulate wealth, but the reality is that it does not necessarily take money to make money.

Eloise Boezak, Head of Customer Experience at African Bank stresses the importance of appreciating the value and opportunity of learning to save and invest from an early age. “We traditionally have a poor savings culture in SA, but it is never too late to change that. Knowledge, the right attitude and good decisions make you money, not money itself,” she says.

For this reason, African Bank is proud to be participating in this year’s Money Smart Week South Africa (MSWSA), an initiative of the National Consumer Financial Education Committee (NCFEC) taking place from the 22 - 28 March. “In the spirit of the theme ‘Take care of yourself, take care of your money’ we wanted to take this opportunity to explain to consumers that they can start making their money work for them with **any** amount and it can grow exponentially with the right savings and investment tools.”

She says many people at the moment, feel they are purely in survival mode and saving anything is just out of reach. “But if you think you just need R50 to start, it is never impossible to start accumulating wealth.”

Her advice is simple - start small and be consistent in your efforts. Sarika Maharaj, Product Manager at African Bank says a notice deposit is a good place to start, following up with multiple deposits over time. “At some point you will finally have enough to place it into an investment account with higher earnings. A tax-free account is also another good option to consider.”

Samke Mhlongo, Founder of The Next Chapter (“TNC”) Wealth Partners says one of the problems when it comes to saving is that we live in a culture of instant gratification and many young people feel the banking products on offer will simply not generate enough wealth and look to alternate investment options. While this is definitely an option, Boezak warns that a balanced approach is always preferable.

The best thing for anyone starting off is to set a goal and then to commit to it. It keeps you honest and acts as a deterrent for getting side-tracked. “Goal setting also creates a habit and makes you a better saver,” she says. “It is really important to keep track of all your expenses and costs too - even the hidden ones like bank charges - and see how much money can be saved every month.”

South Africans need to improve their financial literacy and start on a journey of financial wellness. One of the stumbling blocks according to Mhlongo, is that you “can’t out budget a poor self-esteem’. She says spending is an emotional reaction. ‘Why am I spending?’ ‘Why do I not have discipline?’ are important questions particularly when many young people feel they are defined by their outward show of wealth. Boezak says in order to break out of that damaging mindset it is important to interrogate one’s relationship with money first.

Maharaj agrees saying it is key to get one’s head around this and then work out a formula that can work for you. the 70/20/10 formula which breaks it into essentials, debt and savings and then only a small portion on wants may be the one to follow. Ideally you should set annual goals and then try and match your to-do-list against this. “It all comes down to discipline and adopting the right attitude,” she says.

Another key point is if there is any money over, should one pay off debt or place this money into savings. African Bank understands that often the biggest hindrance to savings is debt, but it does come back to how liquid you are. “There is no point in putting something into savings when you are just going to need a loan at the end of the month. But if you already do have some debt, ideally one should at least pay the minimum amount on each debt - but first pay more into the debt with the lowest balance (as this will be the debt you can pay off the quickest). Then you can finally open a high-interest savings account or an investment account, like a fixed deposit or notice deposit.

“This way, you know you are meeting your commitment and that your money is silently and diligently working for you in the background, while you pay off debt and other expenses.”

Tips on how to find extra money to top up your savings:

- Cut down on that coffee and sandwich on the way to work and at the end of the week, bank the money saved.
- Get a side hustle to supplement your income. It is a great way of growing your means

- These days everyone needs 3 hobbies - one you love, one for your health and one to supplement your income.
- Do a sweep of your wardrobe and sell your unwanted items online.
- Keep your cell phone in good condition and sell it when you get an upgrade.
- If you get a windfall, like a tax rebate or inheritance money, put at least a portion into your savings account immediately.
- When you have paid off a debt let your savings account now benefit from the same amount each month.

“An important aspect of achieving your goal if you want to accumulate wealth is to change the behaviours which put you in debt and instil a culture of saving rather than spending.”

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