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Smart money guide for tomorrow's leaders

How to get money-wise for a better life

FSCA

Financial Sector
Conduct Authority

Smart Money Guide for Tomorrow's Leaders

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Note: Financial service providers (FSPs) quoted in this guide by no means indicate that the FSCA views them as preferred FSPs or that the FSCA endorses their organisation or entity.

The Smart Money Guide for Tomorrow's Leaders; How to get money-wise for a better life was developed by Helen Ueckermann, an independent writing professional, on behalf of the Financial Sector Conduct Authority (FSCA) and in consultation with stakeholders in the financial services sector.

Introduction

Are you between 15 and 29 years old? Do you know that close to 17 million people aged 15-60 were not in employment, education, or training (NEET) in the second half of 2020? More than half of the approximately 17 million NEET persons referred to above are younger than 35 years.

By 2040 you will be running South Africa. You will be the adults leading our society. Are you ready for such a big responsibility and do you have the information available to you in preparation for that future?

This resource aims to do just that by providing you with information about how your finances can make an unbelievable difference to your future when you manage it responsibly. Responsible and knowledgeable financial management will help eradicate the cycle of poverty that denies so many South African families a better future, create businesses and jobs, boost the economy and take South Africa forward to become a prosperous nation. It is about changing lives, and it starts with you.

This resource will show you a different way to look at your current financial situation and to understand future possibilities - if you are willing to put in the hard work and the discipline.

Life experiences such as finishing high school or graduating from tertiary institutions, getting married, starting a family, or buying a car/house cost money. To prepare for the future, you will need to develop good money habits such as budgeting, understanding interest and saving for unexpected expenses.

Money management is about bringing the now in line with the future you hope for. It is about asking the right questions about your life and where you want to be in 5, 10 or 15 years?

Let's look at the conversations of Thabo, Cindy, Simeleni, Musa, Lebo, Linda, Zonke, Basheer, Mariam, Masego, Khaya, Sibusiso, Karabo, Bettie, Suzy and Johannes to see how they navigate life's financial experiences.

This resource forms part of an ongoing consumer financial education project to help all South Africans understand how money works in order to live a financially well life. It replaces and updates the previous *Financial Guide for Youth* published in 2012 by the then Financial Services Board (FSB), now the FSCA. While the content in the *Financial Guide for Youth* was comprehensive, it needed an update to keep young people abreast of the personal finance trends of today.

Familiar and important sections have been retained, such as saving, investing, the world of work, and starting your own business but with fresh content that reflects new thinking and new research.

Contents

Contents

Chapter 1

WHY WE SPEND THE WAY WE DO

Chapter 1: Why we spend the way we do

1. Introduction

Thabo's sneakers

Thabo is dying to buy a pair of new sneakers, but does he really need them. Is there a better plan that he could follow?

2. Stuff that influences our spending habits

Many factors influence how we spend money, including our friends and family, the society we live in, social groups we are a part of, social media, advertising and our financial circumstances.

Perceptions of money

The way you feel and think about money plays a definite role in why you spend the way you do. Your background, social class and education are some of the factors that contribute to these perceptions. The way you were brought up by your parents, grandparents or elders' lay a foundation on how we perceive money in our early lives.

Growing up, nobody gave you a little booklet titled 'How to use money'. At school, personal money management was seldom, if ever, discussed. So, you picked up money habits from the people around you – your schools, communities, religion and associations shaped your money belief system.

Family, friends and peers

The recommendations of family, friends and peers shape our decisions far more than professional reviews or advertising. These opinions hold greater power because we see friends and family as having similar interests and views to ours.

Emotion

When you choose one product or service over another, your decision is guided by your experience with a particular company or brand. That experience has created good or bad feelings, which in turn affect your choices. Companies work hard and spend a lot of money to create a positive emotional connection between you and their brand.

Culture

Cultural identity is made up of the life lessons passed from one generation to the next, some of which influence your way of life and how you do things. Your culture affects how you live your life and can shape your relationship with money. For many South Africans, 'Black Tax' which is the expectation that the younger generation will help the family financially – is an example of how culture influences spending.

Clever advertising and incentives

Companies use advertising and incentives, such as sales and discounts or the use of influencers and celebrities to create 'needs,' to sell a 'lifestyle,' to try to shape your opinion about their products and to convince you that you 'must' buy. The psychology behind reaching the right person with the right message at the right time has become so sophisticated that it seems almost magical.

EYE OPENER:
Wait, is that really a bargain?

Precious sees a beautiful dress at a discount price in the mall. The dress was R600, now it sells at R300. Excited, she enters the shop. Who does not love a bargain? But is it really? If Precious buys the marked-down dress, did she **save R300** or **spend R300**? That depends: Did she really need a dress or did the "bargain" convince her to buy it? If you think something is worth R600 but you can get it for half the price, you are so much more likely to jump right in and buy.

Social media
Companies use social media analytics (the process of gathering and analysing data from social networks such as Facebook, Instagram, LinkedIn and Twitter) to learn more about us. They can now profile and target us effectively by messaging us about the right product at the right time.

Family tax
This is a mix of cultural practice and family influence, and it has a vital part to play in your financial planning, particularly if you support your extended family. There are three types of family tax that can be a hindrance to meeting personal goals and aspirations – black tax, the sandwich generation and the boomerang generation. All cultures can have these taxes; it is not limited to a specific culture.

Black tax originated from "dignity in death" and that certain cultures spend a lot of money on elaborate funerals to which employed, younger family members contribute. The common understanding is that black people in employment provide their elderly parents or unemployed family with financial support. In reality, this support is about more than just money, and it is not restricted to black South African families. It is also a public good that comes from opening your home to less fortunate members of your family.

Sandwich generation refers to earners that are raising their children but at the same time have to look after parents who do not have the means to do so themselves. This can place a heavy financial burden on a family with children in school or tertiary education.

Boomerang generation refers to young people who leave home and return after difficult events such as divorce and unemployment or need financial assistance from their parents.

Good financial habits will earn you small victories that will help keep you motivated to reach your goal of financial security, and you have every right to enjoy your success at work and in life. However, your success is celebrated in that group of people that made sacrifices to get you into the best schools and took the time to help you with homework and studies.

Loan
An amount of money that has been borrowed.

Period/term of loan
The number of months or years you have to repay a loan.

EYE OPENER:
Why do banks exist?

Thapelo is confused. He saw an advert on the television for a bank that was advertising its services. In the advert the bank said it was there to help customers to get a loan, but when he went to visit his nearest branch, the bank would not lend him the money he needed to help his mom.

To make the world of money work for him, Thapelo must understand how it works. Why do banks exist? Banks exist to keep your money safe and make loans – both very important services. But remember, they advertise their services because, just like any other business, they are there to also make money so that they can remain in business and continue to provide the services that you need. They do that by charging fees for looking after your money, and by charging interest on the amount of money, people like Thapelo, you and others borrow.

Advertising and banking slogans may get your attention and, yes, they do want to do business with you. However, for banks to exist and stay safe for customers, there needs to be certain rules in place so that they can be sure you will repay the money that you borrow. This is not only good business sense for the bank, which will make sure that it does not fail and can make good on its promises to customers, it also protects people like Thapelo from getting a loan that they cannot afford.

As long as you meet the requirements and as long as banks are relatively sure you will be able to pay off your loan amount, your chance is good to be granted a loan. It is important to then pay back the loan as promised – missing one or more loan repayments will be recorded for all lenders to see and may mean that you get a bad credit score from a credit bureau. A bad credit score has serious consequences and may prevent you from getting a loan in future when you most need it.

If you are the first person in your family to go to university or the first to own a car or buy your own home, your success often comes with a responsibility to share your wealth and take care of the people who made sacrifices for you, many of whom did not enjoy the same opportunities as you did.

Financially, this can be a real burden that makes it harder to set out a vision for your future and make plans to get there. Your money is not your own, and you may not have complete control over deciding how to spend, save or invest it. This can affect how quickly you can accumulate wealth.

EYE OPENER: The 24-hour rule

To prevent buying or being sold things or products you do not need, or maybe didn't even want, to start with, always give yourself 24 hours to think it over. The product will still be there should you decide you want to buy it.

NEWSFLASH!

Your data is mined 24/7

Have you ever been asked for your phone number when filling up petrol or entering a restricted access residence? If you have, marketers know one important thing about you: You own a car. They share that knowledge and your contact details with companies that then offer you products to maintain or financing to upgrade your vehicle. In the same way, using social media platforms allows those platforms to build a profile of you through the information you access on their platforms. This is called data mining. **BEWARE!** If you are unaware of data mining, you might think, well, they phoned me and offered me this credit/ benefit/ financial product – let me take it. THINK! Would you have even considered this had you not been called?

Do not let strangers lure you into accepting store/credit cards, cellphones, data contracts or other products you never wanted in the first place.

3. What is the purpose of money in your life?

What you value in life will influence the goals you set for yourself. The goals you set will determine your actions towards reaching these goals. So, you can see that it is essential to get a better understanding of who you are and what you value before you start making money plans; otherwise, your efforts may prove to be less successful.

Let's do a little exercise:

Answer the following questions and write down your answers.

- What do you value most in life?
- What things or activities bring you the most joy?
- What are you striving for?
- What would you do if you knew you had a short time to live?

Now look at your life goals:

- What are your goals in life?
- What are you aiming to achieve?
- Where do you see yourself going?
- Where and who do you want to be in 5, 10 or 15 years' time?

Then try to think about how money relates to the answers to these questions.

In her blog Personal Finance for PhD's, Emily Roberts gives the following examples of values and goals:

VALUE	GOAL
Security	To have an emergency fund and save for retirement
Freedom	Achieve financial freedom as soon as possible by cutting living expenses and increasing income and savings
Travel	Save monthly for one big trip per year
Own home	Save for a deposit; improve credit score
Family	Live on one income so one parent can be at home full-time
Health	Pay for a gym membership and healthy food by cutting expenses in other areas
Helping others	Give a certain amount of money each month towards people in need

To understand who you are and what you want even better, you can look at how you view and handle money.

- Are you a spender or a saver?
- Do you like taking risks or rather not?
- How important is it to you to live within your means?

A spender and a saver might have the same goal of being financially secure by saving for retirement, but they will go about it in different ways. What comes naturally to the saver may need to be carefully planned by the spender.

4. Conclusion

Now that you have a better idea of who you are moneywise and what influences make you spend or hold on to your money, you can test your knowledge in the following section. There will be a 'Test yourself' section at the end of each chapter to help you think about and remember what you have learned. After that, we will look at how you can own your financial future.

5. Test yourself

Can you recall your first money experience? Was it a positive or negative start? Write down your memories of this experience.
Can you remember how you were influenced by family, friends or peers to spend money or not? What happened?
When is a purchase a genuine bargain and when is it not?
Explain what data mining is and how it exposes you to unsolicited purchase offers.
Are you a spender or a saver? Why do you think so?

Chapter 2

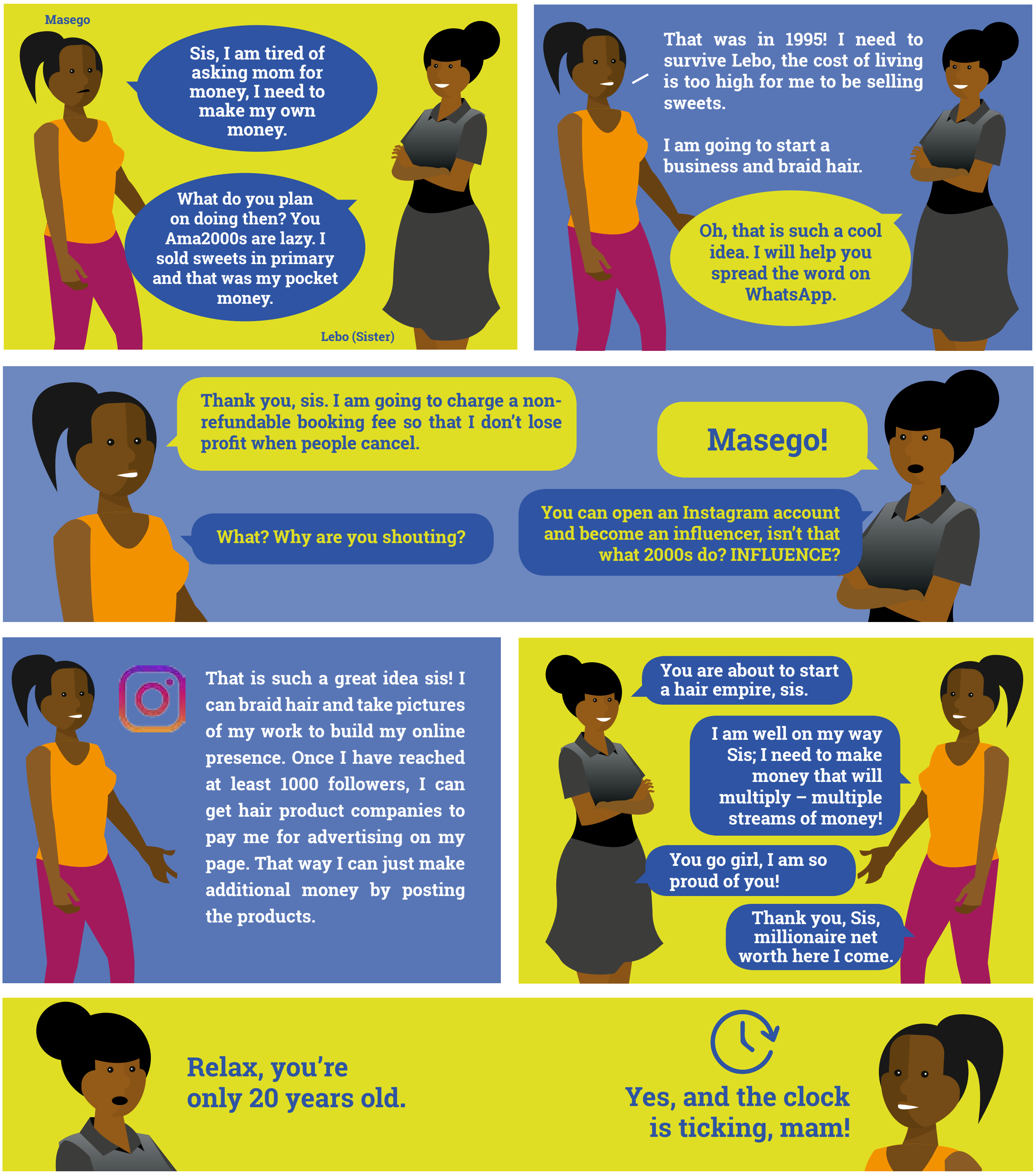
OWN YOUR FINANCIAL FUTURE

Chapter 2: Own your financial future

1. Introduction

Masego's Hair Empire

Masego wants to own her future by starting a hair-braiding business. She is tired of being dependent on someone else for money. To be successful, Masego needs to learn about good money habits.



Owning your financial future is about managing your financial situation through good money habits and a strong dose of adulting. Good money habits have to do with the creation of a budget, the setting and adherence to savings goals, planning as well as an understanding of and application of interest. Good money habits are essential if you want to manage your money properly.

How well are you managing your money?

This checklist should give you an idea:

MONEY MANAGEMENT CHECKLIST	YES	NO
1. I have a clear picture of my financial situation		
2. I have financial goals		
3. I know my income and expenses		
4. I know the benefits I receive from work		
5. I am protected against unplanned or unexpected financial situations		
6. My dependents are taken care of should something happen to me		
7. I have an authorised financial advisor		
8. I have a retirement plan		
9. I have an education policy for my children		
10. I understand the tax implications on my savings		

If you have ticked **NO** more than three times, you need to start taking more control of your finances to live a better life.

2. Money – it's not just about counting cents; it is about LIFE!

So how important is it to have money? Well, money is about life. If you have too little money, you may end up wretched and miserable. And although money does not necessarily bring happiness, it makes navigating your life experiences a whole lot easier and enjoyable.

According to the FSCA's MyMoney Learning Series (FSCA, 2019), life experiences may include the following:

- Matriculation
- Graduating from tertiary
- Leaving school or tertiary to look after others
- Change in career
- Unplanned job loss
- Starting a family
- Planning for retirement
- Getting married
- Blended families
- Divorce
- Becoming an entrepreneur
- Big purchases
- Planning for death

Life experiences bring with them financial responsibility; in other words, they cost money – like moving out on your own or buying your first car. As you navigate your life, you will need good money habits such as budgeting, understanding interest and saving for unexpected expenses.

Money is about asking the right questions about your life. For instance: What you are studying now or working towards now and will it provide enough income for the life you want later?

EYE OPENER:
Moving out on your own

Leaving home for the first time to go out alone in the big, wide world, whether you are 18, 25 or 30, is a major event. Do not make rash decisions, though. It is best to do your homework first. Here are a few tips on how to prepare yourself for that day.

Can you afford to move out? Browse reputable property websites to get an idea of what a living space may cost you. When you rent a space, you will be expected to pay one month's security deposit and a non-refundable administration fee on top of your first month's rental. The deposit is usually equal to one month's rental and is meant to cover any possible damage to the property that you may cause whilst living there. The security deposit means you will be paying double the rental amount before you can move in. Start saving to be able to afford the rent plus the deposit. Do not live beyond your means. Your living space should not cost more than one-third of your take-home pay.

Find the right place. Decide what kind of property best suits you and your lifestyle. Are you happy to live on your own or would you rather share a flat or a house? Would a furnished room be better to start with? Begin your search online at a reputable property search portal or app and when you see something you like, make an appointment to see it with your own eyes. Photos can be deceiving.

Rental agreement. A legally binding, written contract that spells out the lessee's (you) and lessor's (landlord) rights, the rules and regulations you and the property owner are expected to abide by whilst living in the space is a must-have requirement. Make sure you understand everything and do not be afraid to ask questions.

Never sign a rental agreement without seeing the place first and meeting an agent or property owner in person, or you could fall victim to a rental scam.

Before you sign a rental agreement, find out about any costs over and above your monthly rental, for instance:

- Period of the lease
- Annual percentage increases
- Are there internet connection fees?
- Are water and electricity included or excluded in the monthly rental fee, metered or prepaid; is there a deposit payable?
- If excluded, how do you arrange for water and electricity to be connected, and what will the deposit be?
- If there is a washing machine and tumble dryer, are they included in the rent or coin-operated?

Before you sign, conduct a move-in inspection with the agent or property owner present and use the same checklist for the move-out inspection with the agent or property owner present. The property owner has the responsibility to fix any issues identified during the move-in inspection. The agent or property owner must sign the checklist; otherwise, you may be held responsible for fixing things that you didn't break when you move out. Contents may include furniture, curtains, a stove, and so on.

If you are renting a flat with a friend, make sure you both sign the rental agreement, or you may be held liable for the full amount when your flatmate decides to move out.

The fine print. The fine print of a lease is just as important as it may include additional clauses that could have an unsettling impact on your wallet and lifestyle. These could range from the terms of early termination of the rental agreement by the lessee or lessor, penalties for late rent, policies on owning pets, painting, or altering the rental space or what protocol to follow if something breaks and needs repair.

Finances. Leaving home is expensive. The time that you bought some groceries or contributed a set amount to someone else's household is over. Any bills are now yours to handle. Always pay any bills and rent on time to avoid a bad credit rating. Take excellent care of your landlord's property to get back the full security deposit when you move out. No matter how much or how little money you have, managing your money well is the best foundation for living independently.

EYE OPENER:
Buying a new car.

Buying a car is high on the list of most young working people, and what an exciting experience it is! Besides a house, buying a car will probably be the biggest purchase you make. Very few people can afford to buy a car in cash, and most take out a car financing loan to buy a car.

A few important questions need to be asked and answered before you take the big step, according to the FSCA's MyMoney Learning Series (FSCA, 2019).

- Have you saved up to buy the car cash or will you be taking finance for the car?
- How much can you afford to pay for your car monthly?
- Will you buy a new or used car?
- Are you buying from a dealer, private sale, or an auction?
- Did you get the vehicle inspected before deciding to buy it?
- What are your financial options – Hire purchase, balloon payment, etc.?

There is more to buying a car than the monthly repayment. Have you considered the **actual costs** of buying and owning a car?

- What insurance do you need – comprehensive, balance of 3rd party, etc.?
- What is the excess payment on your insurance if your car gets damaged or stolen?
- How will you maintain the car – motor plan options and noting the high maintenance costs of older cars?
- How much will it cost you to drive to work, shopping centres and other destinations every month?
- How often will you have to replace the tires and what does that cost?

Two options

So, you are shopping for a car. There are two possibilities you face. Option 1: After paying a deposit, one car will cost you R4000 over 24 months and (option 2) R4500 per month for 56 months with no deposit. Easy choice if you consider that option 2 costs only R500 per month more and you cannot even compare the level of cool with option 1 - Way more impressive!

If this is your thinking when buying a car, you have a lot to learn about financial intelligence. You need to consider the interest rate, the number of months it would take you to pay for the car, the car insurance you would have to take out to cover the outstanding amount, or what it could cost to maintain the car, including the yearly license renewal fees.

A financially intelligent person will consider the total cost of his purchase, i.e., the interest he will save if he pays off the car over a shorter period, how much his petrol and insurance will cost him. In short, how it will affect his financial position and whether it is worth it (Boesenkool, 2007).

Financing your car

- **Hire purchase.** Hire purchase is the most popular way to finance a car in South Africa. You will enter into a hire purchase agreement with a bank or other lending institution, which is an agreement that you as the buyer will have with a bank or a lender whereby you will pay off the balance owed on the vehicle in regular monthly instalments over an agreed period. Sometimes a deposit is required for this type of credit agreement to help reduce your monthly repayments. The longer you take to pay off the car, the more interest you will pay. A good credit record will guarantee a lower interest rate. If you buy through a dealer, this process will be dealt with by them on your behalf.

  Example:[1] You want to buy a car for R200 000 and pay it off over 48 months (3 years) at an interest rate of 10%. You put down a 10% deposit of R20 000, leaving you with a loan amount of R180 000 plus an initiation fee of R1207.50 = R181 207.50. A monthly administration fee will be added to your repayment, bringing it to R4 626.91 per month.
  The total price of your car:

  R4 626.91 multiplied by (x) 48 months = R222 091,68
  PLUS
  the deposit of R20 000 you already paid
  = <u>R242 091,68</u>

  What would happen if you paid the same car off over 60 months (5 years)? Your monthly instalments would go down to R3 887.30, but over 60 months your car would ultimately cost you **R253 238,00**, almost R10 000 more.

- **Balloon payment.** A balloon payment makes it possible for a buyer to take an amount owing on the purchase price of a car and set it aside. The result is that the monthly instalments are calculated at a lower value, making repayments more affordable. You are essentially paying off a loan for most of the car, but not all of it.

  Example: Your car costs R200 000 and you choose to defer 10% of this into a balloon payment. The monthly repayment amount will now be calculated at a price of R180 000. You must pay the deferred balloon sum of R20 000 at the end of the contract term. This means that you also need to save together the R20 000 to reimburse the bank at the end of the finance term on top of your monthly instalments, or you will need to extend your car finance. You may end up paying much longer for your car.

1 For this example, the MFC instalment calculator was used. https://www.mfc.co.za/instalment-calculator#0

Auction
A public sale in which goods or property are sold to the highest bidder.

Comprehensive insurance
Comprehensive car insurance covers your car against accidents, fire, theft, and other insured events like hail damage, includes your windscreen, other car window repairs as well as claims from third parties. Some insurance companies may also offer add-ons like medical cover, cash-back schemes for no claims, car hire as an option when your car goes in for repairs after an accident or loss and roadside assistance. Comprehensive policies are usually more expensive as they provide cover for a greater number of risks. Banks or financial institutions often require this type of cover if a vehicle is financed under a credit agreement.

Financial intelligence
To see the real financial consequences of your actions – the impact on yourself, your family, your finances.

Visit www.fscamymoney.co.za and look for the vehicle finance repayment calculator to see how much you can afford to pay for a car before making that vehicle finance application!

3. Budgeting

Of all the good money habits, budgeting is top of the list. Everyone who earns an income should budget. You do not have to earn a big salary to start budgeting. Just start with the income that you earn now, even if it is not regular.

Changing costs
Costs that change from month to month, also known as variable costs. For example, electricity, airtime, transport, etc.

Fixed costs
Costs that are the same every month and do not change. For example, your monthly rent or bond payment. It is fixed for a certain amount of time.

Income
Your earnings. For example, your salary, grant, maintenance, allowance, overtime pay, etc.

Expenses
The money that you spend on everything you have to pay, like bills. This also includes money you spend on things you want to buy but do not have to, like birthday presents.

Deficit
When you spend more than you earn, you will have a deficit (negative balance).

Surplus
The money you have left over after you have paid all your accounts and bills (positive balance).

What is a budget?

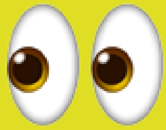
According to the Savvy Savers Budget Booklet (FSCA, 2021), a budget is a plan that gives each rand you earn a purpose and acts as a roadmap for where your money will go every month. A budget is a list of your income (how much you earn / money entering your bank account) and your expenses (how much you spend/money leaving your bank account).

Why is budgeting so important?

A budget empowers you to make better financial decisions, and by making better financial choices you can live a better life.

Other reasons to create a budget:

- It teaches you financial discipline, which is the first step to creating wealth.
- You know before the month begins where your money is going, allowing you to save better and spend only on what you need.
- Shows you exactly how much money you have to spend.
- You obtain clarity on how and where you spend your money.
- Shows where you could save more.
- It helps you stay focussed and work towards your short-term, medium- and long-term goals.
- Stops fighting about money with your partner because everything is out in the open.
- Breaks the paycheque-to-paycheque cycle.
- Separates the needs from the wants.
- Assists with getting out of debt.
- Helps to save/prepare for emergencies.



EYE OPENER:

Are your expenses more than your income?

If your total expenses are more than your income, you need to make some changes. This means that you spend more than you earn. See where you can cut your costs (start with the "wants") so that your income is more than your expenses. If your total expenses are less than your income, you also have decisions to make. How are you going to save or invest that extra money?

NEWSFLASH

What you want is not always what you need

Needs: Things you cannot live without – for example, food, water, shelter, clothes, etc.

Wants: Things you can live without – for example, branded clothing, smartphones, DSTV, take-aways, cigarettes and alcohol etc.

How do I start?

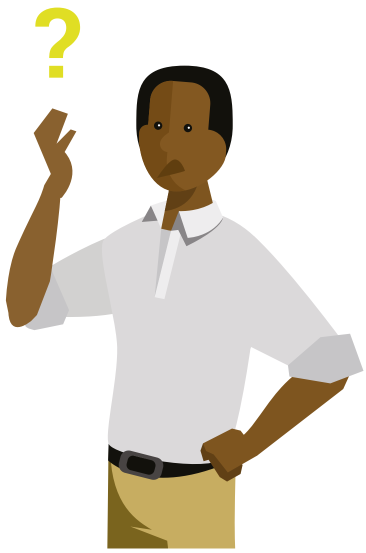
Make a list of all your income (do not forget grant or maintenance payments).

Make a list of your expenses (keep your receipts in a box and identify which of your expenses are wants and which are needs).

Add up all your income.

Add up all your expenses.

Subtract your expenses from your income.



How do I stick to my budget?
Do not spend more than you have planned to spend.
Keep track of your expenses.
Update your budget monthly (actual vs planned spending).
List expenses by category and not by the place you made your purchase (for example, list “Groceries,” not just ‘ABC Supermarket’).
Pay bills on time.
Compare your budget with your actual expenses each week.
Adjust your budget where necessary.

How do I track my expenses?

Start with tracking your spending when you start earning an income and working out your financial plan. A tracking spreadsheet will give you a snapshot overview of your overall spending and help you identify areas where you are spending too much.

Take a look at your receipts at the end of every week and sort them into categories such as groceries, vehicle expenses, entertainment.

Write down the categories on a spreadsheet like this:

MONTHLY TRACKING SPREADSHEET						
Category	Week 1	Week 2	Week 3	Week 4	Week 5	**Category total**
Groceries						R
Household						R
Transport						R
Personal care						R
Entertainment						R
Banking fees						R
Other						R
Monthly total	R	R	R	R	R	**R**

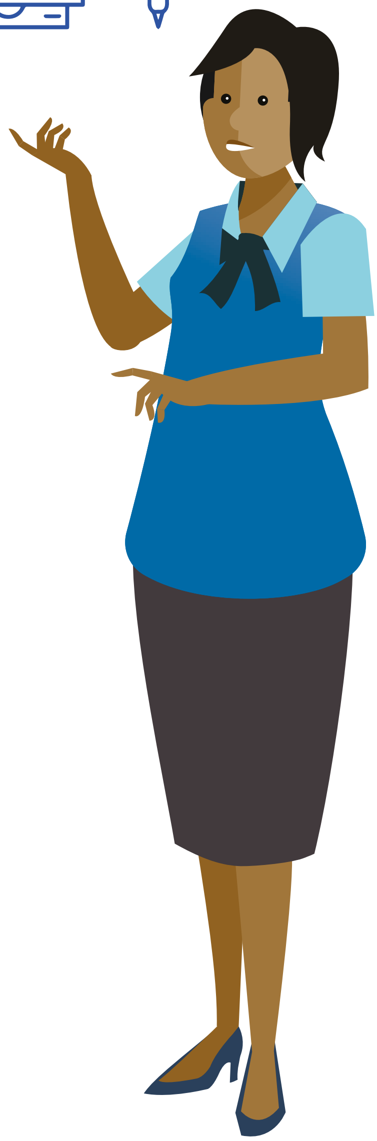
By tracking your income and expenses, you begin to understand your financial situation. You can now make informed decisions on where to make changes that pave the way to financial security.

Drawing up a budget

Simeleni is a houseworker and earns R9000 per month. She earns R350 per day as a houseworker for different clients and works five days a week (R7000). She also has a side hustle selling clothes, handbags and shoes that she advertises to a WhatsApp group with selected members (total: R2000). She is a single parent and shares a flat with her 3-year-old daughter Lebo and her sister Musa. She shares the cost of the flat and the water and electricity bill with her sister and each is responsible for their own meals.

This is Simeleni's budget:

INCOME	
Housework	R7000
Side hustle	R2000
Total income:	**R9000**
EXPENSES: Fixed costs	
Rent (her half)	R2500
Money for mother	R500
Crèche fees	R950
Transport (to and from work)	R900
Emergency savings	R500
Total fixed costs	**R5350**
EXPENSES: Changing costs	
Clothing	R450
Furniture	R550
Other debt	R380
Groceries	R900
Water and electricity	R230
Telephone	R200
Toiletries/cosmetics	R210
Take-aways, etc.	R400
Total changing costs	**R3320**
Total income	**R9000**
Less total costs (R5 350+R3320)	**(R8670)**
Surplus	**R330**



Simeleni has a surplus of R330. She has a good handle on her needs and wants. She can use the R330 to start saving for long-term goals such as her retirement and Lebo's education or to pay off her debts. She could save even more by cutting back on the take-aways.

You may think:

"Well, I am not Simeleni and I don't have a surplus of R330 every month. This is not for me. How am I supposed to start saving every month?"

The good news is that you don't need much money to start.

Example: Start by saving a little each month until you reach R1000. This is the minimum amount that you will need to invest in RSA Retail Savings Bonds. This is a low-cost, easily accessible and safe option for the man-on-the-street that generates competitive returns is an investment into RSA Retail Savings Bond. Issued by the South African Government, these bonds are issued in a way to help all South Africans to save for their futures. Pensioners are able to access the interest repayments monthly. For more information, visit www.rsaretailbonds.gov.za or call 012 315 5888. The RSA Retail Savings Bond can also be purchased from a branch of the South African Post Office.

Stokvels can also be a good place to start and are trusted by millions of South Africans. See questions to ask before putting your money in a stokvel in Chapter 5.

The idea is to save or invest 15% of your income eventually. The actual amount depends on what you earn and your unique circumstances.

Once you are on a steady savings path and you have found more money in your budget (maybe you paid off an account or your employer gave you a raise), you can start looking at your financial priorities – what is most important? The protection of family and property is high on the list for many people. A life policy will pay out an amount of money when you die and will help your family to survive without your income. A non-life policy will help you replace stolen or damaged items.

The message is to start with small amounts of money and then to increase the amount as you become more comfortable with the process and start making saving a habit. In this way, you will grow your money and attain a measure of financial freedom.

Now, try to draw up your own budget.
You will find a free budget template at www.fscamymoney.co.za or you can use a budgeting app. We will discuss money apps in more detail later in this chapter.

12 SMART TIPS TO IMPROVE YOUR BUDGETING

Set financial goals: Understanding why you want to control your finances makes it easier to save, live within your means and work towards those goals. Setting targets now makes it easier to make intelligent financial choices later.

First, pay for what you need: Good money management depends on separating what you need from the things you want. Being clear about the difference will determine whether you reach your goals or not.

Be honest with yourself: To create a realistic picture of your financial situation, be clear and honest about your expenses and debts.

Beware of unnecessary debt: Debt makes it easy to spend money you do not have. If you are serious about creating wealth and financial security, pay off your current debt and avoid taking on more unnecessary debt.

Keep track of your spending: Tracking where you spend money will help you identify where you can cut your expenses and save more. It is important to track and record your spending daily, weekly and monthly. It is easy to remember or see how much you spent on rent or your bond payment, but for other expenses, keep your receipts. Do this together with your debit or credit card bank statement. Remember to include debit card transaction fees, banking fees and interest charged on credit card purchases as part of your expenses.

Budget for savings: A budget will help you plan how to spend your money better. However, you also need to devise ways to save to avoid the stress of having to take on new debt if you are faced with an emergency expense. List the amount you want to save under your fixed costs.

Watch out for cash leakage: Impulse buys, fees for a gym membership you do not use, and unnecessary purchases are all examples of cash leakage.

Get your family involved: Creating a budget as a family makes it easier for everyone to understand why they need to make small sacrifices to achieve important goals.

Update your budget: Highlight the payments that you make in your budget so that you know all your bills are paid. Make sure you pay your bills before or on time to avoid unnecessary late payment penalties or additional interest charges. Late payments also negatively affect your credit score.

Use accurate descriptions: List your expenses by what they are rather than by category. This allows you to see how much you spend in particular categories. For example, instead of listing "ABC Supermarket R1 000", rather say "Groceries R1 000".

Budget monthly: Complete your budgeted amount column at the start of every month to get a record of your income and expenses. This helps you to start thinking long term. If you have had high expenses in the past month, you can see how to make up for it in the new month.

Make provision for planned and unplanned expenses: Set aside additional savings ahead of time for planned expenses that do not occur every month, for instance, school excursions for your children, a present for your dad's birthday or an outfit for your friend's wedding. Unplanned expenses may include repairs to a car that breaks down, a water leak or a broken fridge.

4. Make a will

More than 70% of working South Africans do not have a will (FSCA, 2021). Even young people need one – even if it is to spare your family the economic pressure to the emotional stress should you die.

Will
A legal document in which you indicate what will happen to your assets when you die, containing your instructions as to how your estate should be distributed and who must benefit from it after your death. It is also known as a testament. If you do not have a will in place, someone that you didn't want to benefit may get access to your estate.

Being young, you may feel that talking about a will is unnecessary. The truth is that if you own assets like a car or furniture and are over 16 years old, you cannot be too young to have a will. Even young and single people should have a will to ensure that their wishes are honoured regarding how they want their assets shared after they die.

A will makes life easier for those you leave behind after you die. It is a legal document that contains information about your finances and assets (house, furniture, jewellery) and how this will be shared amongst your beneficiaries.

If you have minor children, you can name the guardian you have chosen to look after them in the event of your death.

If you die without a will, what happens after your death is out of your hands. Your estate will be divided according to the law of intestate succession. Any inheritance due to your children will be deposited into the Guardians Fund, which is then managed by someone you do not know and who may not have your children's best interests at heart.

Learn more about why you should have a will in the FSCA's booklet Understanding the importance of a will (FSCA, 2021) *available at www.fscamymoney.co.za*

Asset
Something you own. May include items such as your house and its contents, cars, shares, investments, retirement benefits, cash, etc.

Beneficiaries
Wills, trusts and insurance policies commonly have someone who will benefit upon your death, during the subsistence or at termination of a trust, or when a policy matures. This person, or organisation, who stands to inherit money or other assets is referred to as a beneficiary.

There may be several other reasons why you do not have a will yet besides being young. Let's have a look at a few of these:

"My sister/brother will take care of my children if I pass away."

In more traditional and cultural homes, there is an unspoken understanding that if you die and your children or dependants are still young, your family will look after them, and you do not need to have this information in your will. The better decision would be to discuss the care of your children with your family beforehand and appoint guardians in your will.

"My family will sort things out between themselves."

The fact is, they cannot do so. The law (Intestate Succession Act, 1987) determines who will inherit from your estate. Leaving it to your loved ones to sort out your affairs is not only a recipe for family trouble but also an unfair burden you place on them. If you decide what is to happen to your property, assets (clothes, jewellery, furniture), cash or debts, you will make their lives so much easier while they are in mourning. In your will you can nominate an executor to take charge of your affairs after your death.

Estate
Everything you own; all your assets (movable property and immovable property) as well as your liabilities (debts).

"I am embarrassed to draw up a will because I do not know how."

There are professional people like trust companies, banks, financial services providers (FSPs), fiduciary practitioners (FPSA®) or attorneys who can assist you.

"It costs money to have a will drawn up."

A will is an important document and should ideally be drawn up by a professional. Some FSPs offer free will-drafting services and will also keep a copy of your will for free. Attorneys may charge a fee but, as a courtesy, may offer to store your will for free. Your bank may charge a minimal fee for the service. Speak to one of the parties mentioned above. Read more about the importance of a will as well as what information to include in your will by visiting www.fscamymoney.co.za. Remember that a will must be signed by yourself and two witnesses (who are over 14 years of age and not benefiting from the will) for it to be valid and should be kept by someone you trust like your financial advisor, your bank, a lawyer or executor so that it can be readily located after your death.

"It is bad luck!"
Many feel that if you write a will, you are inviting bad luck into your home, and because of this you will die sooner. Very few people know when they will die. It is better to be prepared.

"I owe more than I own."
Your remaining debt will eat into the value of your estate. Unless there is enough cash in your estate to pay off the debt or enough assets that can be sold to cover your debts, your creditors can claim any outstanding debt from your spouse – this applies if you are married in community of property.

NEWSFLASH

Lawyers do it for free once a year

You can have a lawyer draw up a will for you for free during National Wills Week. For more information, visit: http://www.lssa.org.za/our-initiatives/advocacy/national-wills-week

It is a good idea to ask a banker or attorney to help you to draw up a will. Stationery stores do have templates for simple wills, but it is best to have a professional help you since financial matters can be complex.

It is important to update your will since you may get divorced, or a friend can die, or you can simply change your mind. Working regularly with an authorised financial advisor will allow you to change details according to your life experiences. Wills drafted by those with little or no experience usually lead to problems. This is not only a problem in terms of the validity of your will but also because a testator (you) is often unable to convey their true intentions in their own words. A will must also meet certain legal requirements for it to be valid.

5. Manage your debt – the good, the bad and the ugly

What is debt?
Debt is a borrowed sum of money owed or due within a certain period or the amount of money you have to repay when you buy things on credit.

Avoid the seduction of credit

If you only pay the minimum due on your credit card, you will remain indebted for decades. For example, if you owe R20 000 on your credit card, with an interest rate of 20% and only pay the minimum amount of 3%, it will take almost 25 years to pay it off. Only paying the minimum on your credit card is just not a good financial choice.

Maya Fisher-French, Personal finance author and public speaker

What is credit?
The National Credit Act (34 of 2005) defines credit as a 'deferral of payment of money owed to a person, or a promise to defer such a payment'. In simple language, it can be defined as the ability to borrow money or access goods or services with the understanding that you will pay for it later. The moment you buy something on credit, you have made debt.

Good debt vs bad debt
While avoiding debt is wise, not all debt is bad. The secret is to be selective about which kind of debt to take on.

Most people cannot afford to buy a house or a car without a bank loan. A home loan can be seen as good debt because it can increase your net worth or significantly enhance your life as the asset increases in value over time. A student loan or a business loan could also be considered good debt because you will have something to show for it in future. Education helps you to get a better job and starting a business could make you more money.

Buying luxury items, clothes, food, holidays on credit is unwise, as are credit cards, personal loans and revolving credit facilities – this is bad debt because it involves borrowing money to purchase items that lose their value or are only for consumption.

A South African example of people caught up in a seemingly never-ending cycle of bad debt is grant recipients targeted by illegal loan sharks and payday money lenders. A 2020 report, "Social Grants: Challenging Reckless Lending in South Africa", by the Black Sash and London School of Economics demonstrates how these lenders prey on the poor by charging excessive interest rates of 50% to 112% on low-risk loans, plunging them in everlasting bad debt they can never get out of.

The cost of debt/credit

Remember how the actual cost of a car was demonstrated in the budgeting section of this chapter? All debt/credit costs you money because you pay interest on the money you owe. As a rule, the longer it takes you to pay off an item, the more expensive it gets.

The prescribed costs of credit in terms of the National Credit Act are as follows:

- initiation fee
- interest rates
- monthly service fees
- credit life insurance
- default administration charges
- collection costs
- and other charges

Example[2]: You are looking at buying your first property. You are still single, so you decide on a two-bedroom flat for R600 000 so that you have extra space for a flatmate to help you pay the bond. You have saved R50 000 for a deposit, which means you apply for a home loan of R550 000 at an interest rate of 7%. You want to pay for your new property over a period of 20 years.

Your bond and transfer costs if you purchase an existing property will be approximately 0.5% of the property price - R34 270.00. Sometimes this amount can be added to your purchase price, but that will push up your instalments.

You can choose the length of the repayment term of your home loan. Look at the difference this can make, especially if you also add an extra amount to your monthly repayments.

SPOT THE DIFFERENCE

Term	Monthly repayment	Total price paid	Total interest paid
20 years	R4 264.00	**R1 023 395.00**	R473 395.00 ((R1023 395.00 - R550 000 (bond amount))
15 years	R4 944.00 (R680.00 more)	**R889 840.00**	R339 840.00 (((R889 840.00 - R550 000 (bond amount))
15 years	R7 944.00 (R4 944.00 + R3 000.00 (Flatmate's rental))	**R706 532.00**	R156 532.00 ((R706 532.00 - R550 000 (bond amount))

What you save on interest, you can invest towards your future dreams!

2 Calculations done at https://www.betterbond.co.za/calculators/bond-and-transfer

Chapter 2

EYE OPENER:

Is my home an investment?

For most South Africans buying a house is the biggest purchase they will ever make. But is it an investment?

Investment:
When you have placed money in an investment product (like a property) to make a profit, you have made an investment.

Do you make money out of the home you live in? Of course, you could by renting out rooms or such, but for most people the house they live in is not an investment in the financial sense. What they may be investing in is a roof over their head, peace of mind, a sense of security, having a place to call their own. Even if you sell your home at a profit after a few years, you will have to replace it with another home to live in.

Buying or renting?
In the long term, renting a house can work out more expensive than buying a house. The monthly payments to property owners will never end and will increase every year, while a home loan will be paid off eventually and the homeowner will have a valuable asset to their name. This is why renting is only a viable short-term option and buying is a long-term investment option.

In the end it depends on your needs and dreams. The cost is an important aspect, but your decision will also depend on whether you aim for the security of homeownership or the freedom of renting.

Buying a home

Advantages	Disadvantages
• Long-term benefits of security, equity and potential growth in personal wealth. • A home increases in value over time and if you decide to sell, you can earn a profit off the sale. • Gives you creative control to make décor changes, landscaping and renovations to suit your needs and your style. • A homeowner who ensures that repayments are made on time can improve their credit profile. • There is the possibility of refinancing your bond amount if you need money to pay for major purchases. This usually means that you will pay your bond for a longer period. • Paying off a higher monthly instalment than required will save you thousands in interest and shorten your bond period.	• Comes with financial responsibilities, including bond repayments and regular house maintenance as well as additional costs like rates, taxes, insurance, and maintenance. • Economic factors like a recession or high interest rates, or because a location has become less desirable may not make it possible to make a profit when you sell. • Less mobility than a tenant who rents on a short-term basis. • Have to take out homeowners insurance or building insurance to cover the structure of your home. • May need to take credit life cover or a life policy to cover the bond in the event of your death, as the bond will still need to be settled.

Renting a home

Advantages	Disadvantages
• Allows more flexibility than owning a home as no long-term commitment is required. • The possibility of living in an area in which you could not afford to buy. • Insurance only has to cover the contents of the home.	• You are bound by the rules of the lease agreement. • You cannot make changes to a rented property without the consent of the homeowner. • You will have to deal with a rental agent who will be the liaison between you and the homeowner. • Renting offers no wealth creation or return on investment. • You are paying towards the homeowner's home loan. • No control over annual rental fluctuations. • No guarantee that your lease will be renewed when it expires.

Tips on buying a house

According to the FSCA's *Life Experiences* booklet (2019), buying your first home is a milestone. It is a major decision that takes planning, research and careful budgeting. Think about the following things before you buy a house:

- How much can you afford to pay every month?
- Have I found the right property and if not, how do I find the right property?
- Do I need to have the house inspected?
- Is the house in a good neighbourhood, close to schools and other amenities?
- Does the house have all the essentials that I need?
- Am I going to apply for a bond and where?
- Do I have a deposit that I can put down?
- Am I buying the house on my own or with my partner / another investor?
- Will I need someone to sign surety? (surety is when someone else takes responsibility for your loan.)
- What are the upfront costs of buying a house?
- What type of insurance do I need?
- Am I buying off-plan, in a new development or an existing property? I.e. I am the second or third buyer?
- What other costs must I consider? E.g. water and lights, levies, maintenance, rates and taxes or gardening services.

Financially savvy people would first check the cost of the credit before they enter into a credit agreement (contract). According to the Credit Bureau Association (CBA), the cost of credit includes, among other things, the interest rate to be charged, monthly service fee, once-off initiation fee, credit insurance if there is one, and deposit if required. The cost of credit may affect your decision to borrow.

EYE OPENER:
Credit bureaus

What is a credit report?
Your credit report tells you, who you owe and how much you owe them. It also shows how your credit standing compares with that of other consumers. i.e. Are you a good payer?

What is a credit score?
A credit score is a numerical expression based on your credit report and represents your creditworthiness. A good score can help you get credit in the future for bigger purchases like buying a house or a car.

What is a credit bureau?
A credit bureau is a company that keeps information about every credit-active person in the country. A credit-active person is anyone who has used credit to buy or pay for something. It includes anyone who has an obligation to pay a service provider for goods such as a cellphone contract, a DSTV subscription, etc.

Every month, credit and data providers (including telecommunication providers and insurers) upload information relating to any agreements that you may have with them onto the credit bureau's records. These records are then stored under your individual credit profile.

South Africa's Credit Bureau Association lists 11 credit bureaus as members.
The top 4 are:

- Experian
- TransUnion
- Compuscan
- Xpert Decision System (XDS)

Credit resellers purchase reports and credit information from credit bureaux's and then sell such reports to credit providers. All credit bureaus are regulated by the National Credit Regulator, under the National Credit Act, 34 of 2005.

How does a credit profile affect me?

According to credit bureau Experian, employers may check your credit report with your written permission when you apply for a job. If you are applying for a financial or managerial position, for example, or if you want to work with the military or in a security position, negative marks on a credit report could potentially hurt your employment chances. Employers check credit reports to assess your money management abilities, the potential for security threats and responsibility.

It is essential to understand how a credit profile works and ensure that you have a good credit profile, and if not, how to improve your profile.

NEWSFLASH
Get your credit report for free

You can pull a free credit report once a year from one of the credit bureaus in South Africa so that you can see whom you owe and how much you owe your creditors. You can also monitor your credit score to see if it is improving.

Your debt and the economy
Debt and over-indebtedness are not only personal burdens. There is a bigger picture to consider as it also affects the economy and, therefore, the prosperity of other South Africans. How does that work, and why is this important?

Economy
The system according to which the money, industry, and trade of a country or region are organised.

Interest rate
The rate of interest paid on money borrowed, calculated as a percentage in line with the repo rate.

Recession
A significant decline in activity across the economy lasting longer than a few months.

Over-indebted
When you owe more than you can afford to pay.

Initially, when people buy on credit, the economy is happy because shoppers purchase products and services and businesses flourish. Typically, this happens in times when interest rates are low, and credit is cheap. People have money to spend, and debt can increase welfare by allowing households to become homeowners, finance durable goods, and smooth consumption.

When too much is bought on credit, and too many people become over-indebted as a result, households start experiencing a lower standard of living. They get to a point where they can no longer pay their debts and pay for their essential monthly expenses such as school fees or their municipal accounts. They now have more debt than they can afford and have become more vulnerable to adverse events such as unemployment, drops in income or lower housing prices.

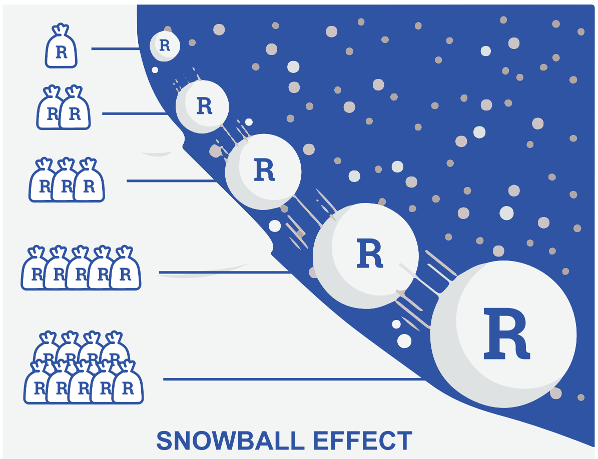
When this happens, the economy slows down because people spend less money and businesses that once flourished on all the purchases made on credit now start struggling. This is called a recession. Typically, bad debts will then increase, which will, in turn, push up the cost of credit as higher interest rates are introduced. A higher interest rate means the debt repayments become more expensive, affecting people with home and car loans and who are not necessarily over-indebted themselves but also have to pay the price.

It may take an economy and the people of a country or area years to recover from a recession.

By thinking and acting as a responsible financial customer, you will contribute to a healthy economy.

How to get out of debt
The financial website Bankrate.com lists several strategies you can consider to get out of debt – all of them entail paying the total, agreed-upon amount.

Pay more than the minimum payment
Revisit your budget and see how much extra you can pay toward your monthly debt. As we have seen in the examples of buying a car and a house, paying more than the minimum will save you money on interest and help you get out of debt faster.



Try the debt snowball
If you owe money to several institutions, this may be the strategy for you. This is how it works:

- Pay the minimum instalment on all your debt except the smallest one, to which you will pay as much as you can.
- By ‘snowballing’ payments towards your smallest debt, you will pay it off quickly.

Chapter 2

- o You can now move on to your second smallest debt and pay all you can, including the amount you paid on your smallest debt until it is paid off. You are still paying the minimum on the rest of your accounts.
- o When your second smallest debt is paid off, move all available money towards payments to the next biggest debt.

Depending on your situation, it may take months or even a few years before you will be paying large amounts towards your more significant accounts and pay those off too. This strategy is motivating and encouraging because you see how your debts disappear one after the other.

Use windfalls to pay off debt

When you get a tax refund, an annual bonus or a performance bonus, add the money to your loans instead of saving it in your bank account or spending it on yourself. You can decide to pay the entire windfall towards your debt, or you can keep a portion of it for yourself to do something fun.

Settle for less than you owe

You can negotiate a settlement of your debts, often for a lot less than you owe. Speak to your financial advisor or your creditor to find out what is possible.

Debt review

A debt counselling process that re-arranges and consolidates your debts into one monthly instalment via a payment distribution agency. If your expenses and debt repayments exceed your monthly income, then you are eligible for debt review.

Debt counsellor

A debt counsellor provides practical and emotional support to help people manage complex personal debt. They work with clients who have lost control of their debt, advising them on financial planning, budgeting, money management and bankruptcy.

Debt review

People struggling to make ends meet due to high debt levels often turn to debt review seeking relief from their stressful circumstances.

Debt counselling came into being with the National Credit Act (NCA) and has helped thousands of consumers since 2005, but it is important to understand the advantages and the disadvantages of a decision to go under debt review.

It is important to remember that although debt counsellors have definite guidelines to adhere to, mistakes are made and may put you at a disadvantage. However, you, as the financial customer, also have a responsibility to educate yourself about the debt review process, including:

- the assessment process/outcome/ notification
- what payment distribution agents do
- what to keep in mind when you opt for direct payments
- the termination (cancellation) of debt review
- clearance certificates
- withdrawal from debt review

It seems people often go into debt review unprepared and rely solely on the debt counsellor for information. Debt counsellors can make mistakes for various reasons and being informed will make it so much more unlikely for you to get caught up in a debt review that is not going the way you hoped.

Debt review can come at a high cost to the indebted person, including initiation and ongoing fees for the debt counsellor and higher interest rates if your payment terms are extended.

The costs of debt review may include:

- an initiation fee to the debt counsellor
- an ongoing fee to the debt counsellor
- an additional fee if your repayments are made through a distribution agent

Debt review costs and guidelines are no secret. Anyone can visit the National Debt Mediation Association (NDMA) website, where clear debt counselling guidelines are published and a list of fees. Before deciding to apply for debt review, you owe it to yourself to visit www.ndma.org.za and educate yourself about the process and requirements.

NEWSFLASH

There is a law to protect you

The National Credit Act (No. 34 of 2005) aims to protect financial customers against illegal and reckless lending behaviour. For Debt Counselling Fee Structure Guidelines, visit the National Credit Regulator website on www.ncr.org.za

6. How financially intelligent are you?

A financially intelligent person is nobody's slave. They do not buy into the debt myth. They know they do not have to have the benefits of tomorrow, today – they can wait. They spot a financial spiderweb from a distance and decide not to travel along that road. Before we get to the end of this chapter, measure yourself against the following profile of a financially intelligent person:

EYE OPENER:

Profile of a financially intelligent person

- They have a long-term plan and know where they would like to be in 20 years.
- They know whether their assets will be worth more or less in a year.
- They understand how financial institutions operate and do not let them steal their freedom by accepting 'assistance' in the form of easy loans.
- They own their own homes or are working towards owning an asset like a home.
- When they purchase something, they know how the transaction will impact their financial position.
- When they have extra money, they know what to do with it because they always work according to plan.
- They make sure they do not have lose money lying around and keep their money out of sight, like in a bank savings or 32-day call/notice account.
- They do not make snap decisions about important financial matters. They take their time to think things through first.
- They have a financial view of the distant future, so their money decisions are based on the effect it will have on their future lives.
- Their families understand their financial plan. They know the financial path they are on and why a new car is not an option right now.
- They teach their children financial intelligence by their example and actions.

Prof Aart Boesenkool,
University of Johannesburg

7. Tech talk – the best money management and budgeting apps

Since there seems to be an app for everything, it comes as no surprise that various excellent money management apps can help you keep an eye on your spending.

Sam Beckbessinger, author of *How to manage your money like a f*cking grownup*, says

> "…human brains are not computers; human brains are not perfectly rational decision-making machines. Our brains are not particularly good at discipline, so when we try and create systems that rely on self-discipline, we are just setting ourselves up to fail."
>
> "This is why it is really important to, at a glance, be able to look at the current balances of any of all your debts, accounts or investments and the history of all your transactions."
>
> "And then you've got real data! If you just try to rely on your memory and guesses, you'll likely always be off by half."

According to Ms Hester van der Merwe, Financial Planning Institute's 2020 Financial Planner of the Year, time is a scarce commodity, and digital money management apps will help you save time. Not only will your budget be at your fingertips whenever you need to check your financial status, but you also will not have to spend time capturing all your expenses. You can use these aids to identify your spending patterns and habits, which can help you make the required changes to become an investor.

The following examples are read-only, and you cannot use them to transact.

Mint (iPhone)

- Draws data from your different accounts.
- Tracks your spending.
- Assists in setting up a budget based on actual figures.
- Can pull your credit score and tell you how to improve it.
- Find out more at www.mint.com.

Wallet (iPhone)

- Stores your credit cards, virtual loyalty cards, vouchers, tickets, boarding passes (etc.) in one place.
- Holds vital information such as your seat number for a movie, or what a voucher will entitle you to and when it expires.
- More information at https://support.apple.com/en-us/HT204003.

Goodbudget (iPhone and Android)

- Tracks your spending in relation to your budget.
- Can be set up to prevent overspending.
- Built-in function to synchronise your budget across all your devices.
- Stay on track and accountable when it comes to your saving goals.
- Learn more at https://goodbudget.com.

Stocard (Android)

- Stores virtual cards, specifically loyalty or rewards cards.
- Easy access to loyalty cards at any time.
- Access to savings on certain items.
- Look it up at https://stocardapp.com.

22seven (iPhone and Android)

- Pulls data for all your accounts into one place.
- Includes bank accounts to credit cards, store accounts to loans and even rewards.
- Tracks what you have, what you owe and what you can borrow.
- You can create and track a budget.
- More information at https://22seven.com.

You can also check out your own bank's affiliated apps.

8. Conclusion

Owning your financial future is about managing your financial situation through good money habits and a strong dose of adulting. We looked at budgeting, debt management, your credit report, the importance of having a will and financial intelligence as steps towards financial success. We now understand what financial intelligence is and how it helps us to make clever money decisions.

Chapter 3 focuses on the world of work and money, but first, it is time to test yourself.

9. Test yourself

What did you learn from the profile of a financially intelligent person?
Why is it essential to have a good credit profile?
Give two examples of good debt and two of bad debt.
Why should you have a will, even if you are young?

Chapter 3

THE WORLD OF WORK AND MONEY

Chapter 3: The world of work and money

1. Introduction

Suzy's job interview

Suzy is about to enter the world of work, but there is a lot she has to learn to make the most of it.

Starting a career is about much more than finding a job. It is about planning your studies, finding skill shortages where you can offer your skills and talent, acing job interviews and planning your career from the start.

2. Career under construction

The Career Development Practitioners Guide of the Department of Higher Education and Training says to plan, imagine and create your career. By doing this, you can help build a country where opportunity is determined not by birth but by ability, education and hard work.

Ask yourself:
What is happening in my life?
How do I want my life to be?
How will I get from what is happening to what I want?
How much money will I need to live the lifestyle I want?

Investing in yourself is one of the most profitable investments you can make. Investing in an education can change the outcome of your life forever.

3. Investing in an education

Do not just study or train for the first thing that comes your way. Find out which skills are needed by the time you finish your studies to improve your chance of employment. The world of work has entered the 4th industrial revolution, where machines are expected to take over more manual, unskilled jobs. Now, computer-savvy workers are top of the list for employers, together with those who have more than one skill, can think independently and are geared for the gig economy. The same company often employed boomers for their entire lives, but today being good at many things and knowing where to sell your skills make you a competitive worker.

NEWSFLASH

University may not be your best option

School leavers who focus only on going to university might miss the mark. Compared to international benchmarks, the ratio of people who go to university and those who opt for Further Education and Training (FET) or artisanship in South Africa is distorted, according to Abigail Moyo, spokesperson of the trade union UASA.

Don't consider artisanship or FET training as below the mark. Plumbers, electricians, hairdressers, motor mechanics, cabinet makers and the like who start their own businesses after training and acquiring some experience often do better in terms of income and job satisfaction than graduates.

Where to find funding for tertiary study

Tertiary study is expensive and few people can afford to pay for it out of their own pocket. Bursaries and student loans are popular ways to finance further study. Here are a few options to explore.

- **Bursaries**: A bursary is an amount of money granted to students on the basis of financial need or academic performance to cover their study fees. These and other financial aid initiatives are made available by government departments, companies and private sponsors. Bursaries each have their own unique sets of requirements. Usually, students don't have to repay the bursary but sometimes are required to work for a certain period of time at the institution that granted the bursary or complete a training programme at the institution.

  For a list of all bursaries and their requirements available in South Africa, including NSFAS, visit https://allbursaries.co.za/.

- **Scholarships**. A scholarship is a financial sponsorship awarded to an academically deserving student, which consists of conditions and criteria the candidate must meet. The sponsorship awarded covers at least a portion of the student's tuition. The student does not have to pay any of the money back. In most cases the student must maintain a certain average in terms of their marks and stick to conditions set by the sponsor.

- **Fundi**. Previously known as Eduloan, Fundi is a private student loan provider aimed at individuals who do not qualify for a loan from a funding institution or formal banking sector. Fundi covers students in every sphere of learning, from short courses to MBA and postgraduate studies at public and private academic institutions. Find out more about Fundi at https://www.fundi.co.za/.

- **Student loans**. All South Africa's major banks offer student loans, both to South Africans and to non-South Africans with valid study permits. Bank loans will cover studies at public and private institutions. A parent or guardian will be required to sign surety for a student.

- **Crowdfunding**. Feenix is a crowdfunding initiative to help young people access funding for their studies. Feenix aims to provide sponsorship to underprivileged youth through anonymous donors. Anyone can obtain funding through Feenix because there are no academic requirements. Only students who are registered at an academic institution can apply. Visit https://feenix.org/ to find out more.

More ways to pay for your studies

If you don't qualify for any of the above options or if you are worried about paying back loans while you might be unable to find a job after qualifying, there are further alternatives to consider.

- **Part-time studies.** You can study after work or attend evening classes at many tertiary institutions and use a part of your income to finance your studies, so you don't have study debt afterwards.

- **Apprenticeships**. An apprenticeship entails working and studying at the same time towards becoming a certified artisan. An apprentice attends formal instruction sessions at a Technical and Vocational Education and Training (TVET) college or other training institution and also works under the guidance of a qualified artisan to learn a trade. Apprenticeships are paid and often lead to full-time employment. Google "apprenticeship South Africa" to find a list of possibilities to explore.

- **Learnerships**. Learnerships combine theoretical learning provided by a training institution such as a TVET college with practical work experience gained while working with an employer. Learners who meet all the requirements for theoretical and practical learning are awarded a registered qualification. Learnerships are free but unpaid and learners receive an allowance (or stipend) to cover the costs of transport, meals, etc. Google "learnerships South Africa" to find a list of possibilities to explore.

- **Finding a sponsor.** We have already referred to crowdfunding initiatives like Feenix that match students with sponsors. However, you can also find a sponsor closer to home, like a family member or family friend, who might be willing to help pay for your studies and who might be less stringent in terms of their requirements.

- **Side hustles.** Studying full-time while earning money on the side is entirely possible if you find a side hustle that does not take up too much of your time.

SIDE HUSTLE CASE STUDIES

Zonke Motsumi (22), house and pet sitting services / photography.

Zonke is a second-year sports management student at the University of Johannesburg. He stays with family close to the university but is responsible for paying his own study fees and books.

His interest in photography soon had him taking pictures at birthday parties. Before long, he teamed up with a DJ to create a music/ photography offering.

In 2021 he teamed up with a family member to start a house and pet sitting service in residential areas bordering on the university. Staying over at the houses he is looking after doesn't take away from his study time as he can study wherever he can take his laptop. Checking in on pets once or twice a day is done early in the morning and after classes in the afternoon.

Zonke charges market-related fees for his services and his earnings go a long way towards covering his university expenses.

Nkateko's Mobile CarWash

Nkateko Ntsamai (21), washing cars

Nkateko started washing cars for extra money while he was still in high school. He made an arrangement with teachers at his school to wash their cars once a week for R60 each. Initially he washed the cars himself but soon there were too many to handle on his own. He employed a few friends to help.

Even though he is now working full-time as an assistant producer at a production company, he still keeps his side hustle going and has expanded the service to other schools.

How to pay less for your studies

- **Distance learning.** Distance learning institutions cost less than full-time institutions and allow more time to finish a qualification.

- **Living at home or with family.** While residence life on campus is exciting, staying there is expensive and meals are extra. Living with your family may cost you nothing.

- **Used books and computer equipment.** Academic bookshops often have cheaper, second-hand copies of prescribed books. Students advertise to sell their books of the previous academic year to make some money to buy their books for the next year. You can also search the following websites to find good copies of used books.

    - www.textbooktrader.co.za
    - https://www.books.quillo.io/
    - www.gumtree.co.za (books & games section)
    - https://bookexpress.co.za/

Education does not need to stop when you leave school or university. Find a mentor to help guide you in your career, read as much as you can, and listen to podcasts or attend free webinars/courses. These tools and resources allow you to rise above mediocrity and shape your future.

4th industrial revolution
The Fourth Industrial Revolution (4IR) represents a new era of innovation in technology – one that's enhancing human-machine relationships, unlocking new market opportunities, and fuelling growth across the global economy.

Independent thinker
Independent thinkers have the confidence to draw on their own intelligence and depend on their own judgement, having their own views and values to guide them, rather than someone else's.

Gig economy
In a gig economy, temporary, flexible jobs are commonplace, and companies tend to hire independent contractors and freelancers instead of full-time employees.

EYE OPENER:

Your first salary and your future wealth

Negotiating your very first salary is extremely important. Your first salary serves as an anchor throughout your career, with raises, bonuses, and even retirement savings influenced by that initial amount. It sets the tone for all jobs to come. Starting too low could be a costly mistake.

Negotiate from the point of knowledge and without aggression. Be informed about how much other people in your position and your qualifications in the company or in other companies earn. Calmly state what you think you are worth and keep it within the reasonable. Do your homework and negotiate for what you want – and reap significant benefits for years to come.

4. Your rights and responsibilities as an employee

In South Africa, employees have certain rights and basic conditions of employment that protect them from exploitation. You must be aware of your rights as well as your responsibilities in the workplace.

NEWSFLASH:

Employees have rights

The South African Constitution provides for some fundamental rights for employees. The Labour Relations Act (LRA) expands on these basic rights. At the same time, the Basic Conditions of Employment Act (BCEA) seeks to protect vulnerable workers. The conditions outlined in the LRA and the BCEA are flexible, meaning that employers can offer better conditions, but not worse conditions.

Your rights

- **National minimum wage**: There is a national minimum wage employer have to comply with. They can pay you more, but never less. In 2021 the national minimum wage was set at R21,69 an hour for the average employee, including farm workers, while domestic workers were entitled to R19.09 per hour (2021).

- **Time and overtime**: If you earn less than R147 376 per year (2021), you qualify for overtime if you work more than 45 hours per week. Suppose you earn more than R147 376 per year. In that case, you must negotiate the usual number of working hours per day or week with your employer, which should be noted in your employment contract. You are under no obligation to work more than 45 hours per week. Your employer cannot force you to work overtime or make you work overtime without compensation.

- **Leave**
  - **Annual leave**: You are entitled to a minimum of 21 consecutive days or 15 working days' annual leave on full pay. Annual leave is accumulative, which means that you get one day of leave for every 17 days worked, or one hour of leave for every 17 hours.
  - **Sick leave:** Granted in a cycle of 36 months. For every cycle, you are entitled to as many paid sick leave days as you would typically work during a period of six weeks. In other words, if you work five days a week, you are entitled to 30 sick leave days per 36-month cycle.
  - **Parental leave**: A pregnant employee is entitled to four months of unpaid maternity leave. Your job must be kept open for you to return to work after your parental leave. Most employers will pay a part of your salary while on parental leave with the option to claim from the Department of Labour for additional income. The other parent is entitled to 10 days of parental leave when the child is born.
  - **Family responsibility leave**: If you have been employed for longer than four months and you work four days per week or more for you are entitled to three days of paid leave per year to look after family affairs when your child is born or falls ill or when your spouse or life partner, parent, adoptive parent, grandparent, child, adopted child, grandchild or sibling.

Familiarise yourself with your employer's policies and procedures, as they differ from employer to employer.

- **Insurance**: The Compensation for Occupational Injuries and Diseases Act (COIDA) provides compensation to full-time and part-time employees who are injured, die or become ill due to workplace accidents or work-related diseases. All employees are covered under COIDA except:
  - independent contractors
  - anyone receiving military training
  - anyone employed outside South Africa for 12 or more continuous months
  - anyone who is only temporarily employed in South Africa

- **Health and safety**: The Occupational Health and Safety Act (OHSA) states that employers must ensure your health and safety at work unless you work in a mine or on a ship. This includes proper toilets, first aid, drinking water, changing facilities, protective clothing, ventilation, lighting and temperature.

- **Organise**: You have the right to form and join a trade union and participate in the union's activities. You have the right to strike.

- **Discrimination**: No person may unfairly discriminate, directly or indirectly, against an employee in any employment policy or practice, on one or more grounds including race, gender, pregnancy, marital status, family responsibility, ethnic or social origin, colour, sexual orientation, age, disability, religion, HIV status, conscience, belief, political opinion, culture, language, and birth. Discrimination is addressed in the Constitution of the Republic of South Africa section 9(3) and section 9(4), 1996, and section 6 of the Employment Equity Act (EEA).

If you feel your rights at work are not respected, you can speak to your supervisor or visit the human resources department to lodge a complaint and to start grievance procedures if you wish.

Your responsibilities

- **Your attitude can make or break your career**
  According to Ms Abigail Moyo, spokesperson of the trade union UASA, your responsibility towards your new employer entails more than showing up for work on time. It is important to remember that you are not doing your employer a favour by working there, she says.

  "Your contract is an agreement according to which you are paid a certain amount per month, week or day to complete specific tasks. You are only entitled to what is written in your contract. Your employer will judge your performance according to your skills, knowledge and your attitude. Especially the latter will determine your success in the world of work, not only now, but throughout your whole working life."

- **Examine your salary slip**
  Employers must make certain deductions from your salary. These deductions may not be made without your permission. For example, your employer cannot deduct payments for a company's group insurance scheme unless you agree to join the scheme.

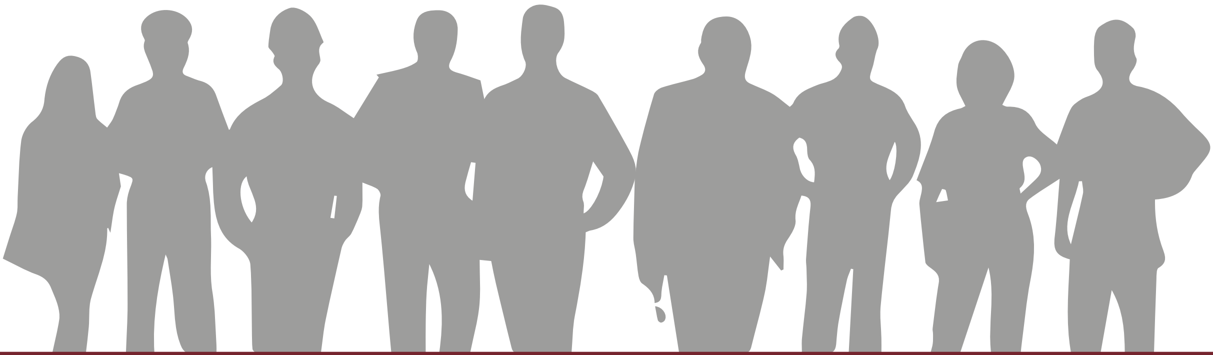
This is a list of standard deductions you will find on your salary slip:

- PAYE (Pay As You Earn), SITE (Standard Income Tax on Employees) and SDL (Skills Development Levy) deductions. These deductions are paid to SARS and the Department of Labour.
- UIF - Unemployment Insurance Fund.
- Labour union subscriptions paid over to your union if you have signed a stop order allowing them to do so.
- Retirement fund and medical scheme contributions paid to the fund if it is part of your employment contract. Make sure your contributions are paid over to the fund.
- Deductions if you are subject to a garnishee order.

NEWSFLASH:

Get a mock payslip!

When a company makes you an offer, you can go to the human resources department and ask for a mock payslip. The mock payslip will show you exactly what you can expect to take home if you accept the offer.



EYE OPENER:

Should I join a trade union?

EYE OPENER: Should I join a trade union?

Joining a reputable trade union means you become part of an organised group that stands together in terms of workplace issues. A union offers the services of skilled negotiators and labour specialists who will work on your behalf to, for instance, secure salary increases, fair treatment, a safe working environment, increased job security, assist you at disciplinary hearings and represent you at disputes with your employer. It means that you don't stand alone when facing difficult and complicated labour matters.

A union will negotiate and hold organisations accountable on your behalf in terms of any misunderstandings, unfair labour practices or unlawful work conditions put in place by an organisation.

The South African job market faced severe challenges in 2020 and 2021 due to the Covid-19 pandemic. The country saw thousands of jobs being shed because of harsh lockdowns to prevent the spread of the Covid-19 virus. Many workers feared losing their jobs or were at some point faced with changes brought about by Covid-19 in the workplace, including sometimes unreasonable salary or wage cuts proposed by companies and work conditions due to Covid-19 regulations.

The pandemic changed the world of work with a fair share of workers now working remotely from home offices. However, just because you work remote doesn't mean that you can't belong to a union. There are still many things that may go wrong between an employer and an employee.

Some basic rights that a worker is entitled to even if they work from home include:

- Normal working hours
- Fair entitled annual leave days
- Sick and family responsibility leave days
- Parental leave
- Sufficient tools for working from home, e.g., laptop and internet connection
- Full compensation for the work done

Your salary slip will also list the number of leave days you are entitled to.

You must check that the following items are correct:

- surname
- initials or first name
- department
- identification number
- job description, occupation or position
- employment date
- employee number or clock number
- gender
- equity status (i.e., black, coloured, Indian, white)
- employment date at the company

All errors on your payslip must be reported to your supervisor or human resources department.

NEWSFLASH:

Make sure you are registered as an employee

Employers must register all employees with the Department of Labour. This protects your rights as an employee and ensures that you can collect unemployment if you are retrenched or fired. Unfortunately, employers sometimes fail to register employees who only discover this when they apply to collect UIF.

You can check your registration and benefits through the Department of Labour's website or app.

https://www.labour.gov.za/Pages/Default.aspx

The FSCA's MyMoney Series has more detailed information on payslips, read more by visiting www.fscamymoney.co.za

5. Conclusion

Once you start earning an income, you enter a period of newly found independence in which you become responsible for creating a cushion against possible losses, unexpected expenses, and retirement. This is what we will discuss in chapter 4. Time to test yourself!

6. Test yourself

How can working people protect themselves from financial disaster?

Why is education so important in terms of your future wealth?

Can you negotiate your first salary, or should you accept what is offered because it is your first job? Why?

Chapter 4

PROTECT YOURSELF

Chapter 4: Protect yourself

1. Introduction

Once you start earning an income, it becomes your responsibility to protect yourself by creating a financial cushion against losses. Your ability to work is your greatest asset and must be protected, not only for your own benefit but also for the family you have or may have in future years. Once you start working, you should consider taking out insurance policies, belonging to a medical aid and belonging to a retirement fund.

2. Insurance

- **Life insurance**

Life insurance, including funeral insurance, matters because it provides your family and loved ones with a financial cushion should you die. A funeral policy will help them with your funeral costs, and life insurance may cover your debts and provide your family with an income to pay for children's education after you pass on. There are different types of life insurance:

- **Death cover** is a form of *risk cover* that intends to provide the policyholder or beneficiary with policy benefits should the life insured die.
- **Whole life cover** is ordinary life insurance, which covers you against the risk of death and is guaranteed to remain in force for as long as you continue to pay your premiums. A portion of the premium is usually directed to a savings or investment account, enabling you to build up a cash value over time. You can access your policy's savings / investment portion through a policy loan or by surrendering your policy. Surrendering a policy means cancelling it and taking the cash value that has accrued.
- **Term insurance** provides life cover for a fixed period, for instance, while paying off a home loan. It is also known as fixed insurance.
- An **endowment policy** is a savings plan with a built-in death benefit. You pay a monthly premium for a specified period, at the end of which a lump sum is paid out. It is designed to pay out during your lifetime rather than go to your beneficiaries after your death.
- **Funeral cover** provides benefits to offset the cost of a funeral. Depending on the cover you choose, benefits are in the form of cash to cover the cost of a funeral or to a service provider. As the policyholder, you have the option to stipulate how the benefits are disbursed.
- **Disability cover.** Losing the use of your hands or legs or suffering from chronic illness may force you to stop working. The purpose of disability cover is to provide you with policy benefits (usually money) to help you to cover your costs or replace lost income should you become disabled. Disability cover is typically added to life cover but can also be bought separately.

Important: When you make provision for your funeral, don't just aim for the most expensive option. Balance the need for a dignified send-off with the need to meet your other financial obligations – paying your loan or car insurance, for instance. Don't pay more for your funeral plan or policy than you can reasonably afford.

Insurance companies will only pay the maximum benefit of R100 000 per life insured per funeral policy. This means that if you have multiple funeral insurance policies with one insurer – they will only pay up to the maximum cover of R100 000!

- **Non-life insurance**

Non-life insurance (previously known as short-term insurance) gives you peace of mind because you are protected against anticipated or unplanned risks that you may face. Examples include car, household contents, homeowners, business insurance and medical expenses.

Car insurance is taken out to cover your car in the event of an accident or fire or if your vehicle is stolen. There are various types of car insurance, including comprehensive car insurance and third-party insurance.

- **Comprehensive car insurance** covers your car against accidents, fire, theft and other insured events like hail damage, as well as claims from third parties, and includes your windscreen and other car window repairs. Some insurance companies also offer add-ons like medical cover, cash-back schemes for no claims, car hire as an option when your car goes in for repairs after an accident or loss and roadside assistance. Comprehensive policies are usually more expensive as they provide cover for a greater number of risks. This type

of cover is often required by banks or financial institutions if a vehicle is financed under a credit agreement.

- **Third-party insurance** does not cover you (the first party) but indemnifies you against claims made against you by a third party who has suffered losses or damages (the 'second party' is your insurance company). An example might be if you crashed your car into another person's vehicle or into the wall of someone's business premises.
- **Third-party (fire and theft) cover insurance** is similar to comprehensive cover, except it does not pay out if you accidentally damage your car. If your car is damaged by fire or is stolen by a hijacker, or if you have an accident, the third party involved is covered.

Household contents insurance covers movable household contents like furniture, appliances and personal belongings against damage or theft. It also includes the belongings of other people who live with you in the house to a limited amount.

Homeowners insurance covers the structure, fixtures and fittings in your house, or whatever you might need to rebuild your house in the event of loss or damage. This includes a burst geyser, or if your house burns down or is severely damaged by flooding, for example.

Personal liability insurance covers injury, death or damages to a person or property that is not part of your household, for example, if your dog runs into the street and bites a passer-by, and you are sued for medical costs. Personal liability insurance is usually included in household content cover and / or the structure of your homeowner's insurance, and it is not expensive.

Travel insurance covers items such as lost luggage and medical expenses when you travel outside South Africa. Some banks offer travel insurance as a free benefit to account holders.
Non-life insurance companies also offer products that cover certain health expenses, such as the following:

- **Gap cover**. Provides extra protection for those who already belong to a medical aid. Medical aids cover doctor and specialist appointments up to a certain amount and gap cover protects you against paying in the difference when the cost is more than the medical aid is willing to pay. Gap cover is not allowed to pay out more than R150 000 per person per year (2020).
- **HIV, Aids, tuberculosis and malaria testing and treatment**. Covers expenses for testing and treatment of HIV, Aids, tuberculosis, or malaria.
- **International travel insurance**. Covers costs associated with a relevant health service while travelling in a country in which the insured persons are not ordinarily resident.
- **Medical emergency evacuation or transport**. Covers the costs of or provide emergency evacuation or transport to a medical treatment facility or cover the cost of emergency medical treatment.

EYE OPENER:

How do you know which non-life insurance option is right for you?

The South African Insurance Association (SAIA), in its consumer education booklet *What is Insurance?* has a few guidelines you may consider.

Example:
You have had one car accident in a period of 3 years, and it costs R80 000 to fix your car. If your premiums cost R600 a month, then over the 3 years you would have paid about R21 600 in premiums.

R600 x 12 months x 3 years	**= R21 600**
Cost of repairs	**= R80 000**
R80 000 – R21 600	**= R58 400**

In other words, you would have received R80 000 in benefits for a loss of R21 600, and therefore you have benefited from insurance cover to the tune of R58 400.

According to SAIA, the first thing to think about is affordability. If the premiums of a policy are too high compared to what you earn, it may not make sense for you to buy it. If you decide you can afford the premiums, the main question is whether the premiums you will pay would still be less than the eventual loss you may suffer.

However, to do the above calculation when you are deciding to take out insurance is very complex as there are many factors to consider, such as premium increases, the exact financial losses you are covered for, excess payments, and so on. Also, the events you are covering with insurance may not even occur (e.g. you may never have a car accident).

SAIA suggests an easier way to decide whether insurance is suitable for you may be to simply decide if, after deciding if the premiums are affordable, the insurance gives you peace of mind. Once you have bought your insurance, does the fact that you no longer have to worry about how you will pay for, for instance, the replacement of damaged or stolen articles make you feel more comfortable and less stressed? If the answer to this is yes, then insurance may be suitable for you.

Also, read through the general terms and conditions in a policy document. There you will find a list of what is not covered (the exclusions and exceptions) and where you cannot claim even though the insured item is damaged or lost. These specific lists of exclusions and exceptions can be different with each insurance company.

On www.fscamymoney.co.za, under the tab Financial Safeguard, you will find a list of common exceptions that could include the following:

- Intentional damage or loss of the insured item.
- Falsely claiming for something that is not lost or damaged.
- Misleading the insurance company so that the insurance company thought that the risk was lower than it actually was.
- Normal wear and tear of an item.
- Damage or injuries suffered before the policy was issued.
- War and riot risks.
- Involvement in illegal activities that damage the property.

- **Medical aid**

This is a form of insurance where you pay a monthly premium in return for financial cover for medical treatment that you or your family may need, as well as any related medical expenses. Most employees belong to a medical aid through their employers, while the self-employed or those working for companies that do not provide a medical aid option can apply for membership as individuals or make use of non-life insurance to cover their risk for medical expenses.

Medical aid regulations require that all medical aids offer a set of minimum benefits known as Prescribed Minimum Benefits (PMB's). In terms of the Medical Schemes Act, PMB's are a set of defined benefits to ensure that all medical scheme members have access to certain minimum health services, regardless of the benefit option they have selected.

It means that medical aids have to cover the costs related to the diagnosis, treatment and care of:
- any emergency medical condition
- a limited set of 271 medical conditions
- 26 chronic conditions

The FSCA's MyMoney Learning Series has more information on Insurance available at https://www.fscamymoney.co.za/Pages/Financial-Safeguard.aspx
For resources on life and non-life insurance visit https://www.fscamymoney.co.za/Pages/Resources/Booklets-and-Brochures.aspx

3. Retirement funds

A retirement fund is a broad term that refers to a pension fund, retirement annuity, provident fund or preservation fund that will protect you against a shortage of money or a lack of resources after you retire. Pension and provident funds are often referred to as workplace or occupational funds because they are offered through your employer.
Most employers offer a retirement fund to which employees must contribute and where your employer deducts your contribution directly from your salary. To grow the pot of money you have available for retirement you can make additional voluntary contributions to your retirement fund. You can also take out additional annuities or contribute to a fund separate from the one offered by your employer if you want. People usually choose this option if they work for themselves or if their employers do not offer a company pension plan.

- **Retirement annuities** are long-term savings plans that pay out during your lifetime rather than after your death. Depending on the annuity you choose, you can access your savings either from the age of 55 or after your retirement. You can withdraw up to one-third of the value of your savings in cash. The remaining savings must be reinvested to provide you with an income for your retirement.

- **Living annuities** are investment products that pay you a regular monthly income after you retire. As a member of a pension, provident, preservation or retirement annuity fund, you must use at least two-thirds of your fund proceeds to purchase an annuity at retirement. Your money will be invested, and the extent to which the investment increases in value will determine the amount of money paid out to you every month.

When you leave one workplace for another, you have four choices:
- Save (preserve) the money in the fund you belonged to (previous employer).
- Transfer the money to the fund of your new employer, untouched.
- Take a portion (withdrawal) of the money and then transfer the rest to a preservation fund.
- Take the benefit as a cash lump sum. However, early withdrawal attracts a tax penalty. The South African Revenue Service (SARS) reviews and updates the tax rate annually and you can check what these rates are with SARS or your financial advisor.

Benefit: A benefit is the money that gets paid from a retirement fund to a member or former member.

Benefit statement: A document that provides the details of your pension fund benefits and how your retirement savings have performed for a specific period.

Beneficiary nomination form: As a member of a retirement fund, you will be asked to choose or nominate one or more beneficiaries to receive what you have saved should you die before or during retirement. Keep this form up to date. For example, if you have children, you may want to add their information on the beneficiary nomination form.

EYE OPENER:

Your retirement fund is off limits

Your retirement fund is for when you retire. When people resign or lose their jobs, there is the temptation of taking their retirement savings in cash – there is always something we need money for. Not a good idea! Clever savers who keep an eye on the future would instead transfer their retirement fund savings to their next job or keep it in a preservation fund until they retire. The following explanation makes clear why.

Losing your job and retiring are two different scenarios:

- If you retire, you can only cash out up to one-third of your retirement savings, and the balance must be used to buy an annuity.
- If you withdraw (when you find a new job and resign or are retrenched), you could typically transfer as much of your funds as possible to a preservation fund at a registered financial services provider. Other options would be to transfer your money to a retirement annuity or the new employer pension fund. However, you can cash out the full amount, but the tax you pay on the cash lump sum would be more than if you retired from the fund.

Annuity

A retirement annuity is a type of savings plan – it is like having your own private pension scheme. This savings plan is independent of an employer and is a good option if you want to have additional savings towards your retirement or if you are self-employed.

The tax payable when cashing out your pension fund is calculated as follows (2021):

- The first R25 000 is not taxed
- The balance up to R660 000 is taxed at 18% of the amount over R25 000
- The balance up to R990 000 is taxed at R114 300 + 27% of the amount over R660 000
- The remainder is taxed at R203 400 + 36% of the amount over R990 000

Withdrawing from your retirement fund savings is tantamount to robbing yourself.

SARS changes the way these amounts are calculated from time to time.

Note: Ideally, you should leave as much as possible of your pension money invested even after retirement, regardless of the type of pension fund. While you may be entitled to one-third of your pension savings as a cash payment when you reach the age of 55, you are under no obligation to do so, and if you wish, you can transfer your entire pension to another fund for use later in life. The other two-thirds of your money will be invested to provide you with a monthly pension income. Your aim should be the preservation of your savings for as long as possible. Also, guard against using too much of your savings to start a new business (which may fail) or investing in risky ventures like a “get rich scheme” or risky investments like crypto (digital) currency.

You should check your payslip to ensure that your pension fund contribution is being deducted from your salary. In addition, you should also call your fund to find out if your pension deductions are being paid into your pension fund by your employer every month. If you do not check, you may find yourself with too little or no money in retirement. It is your pension fund's responsibility to inform you if it has not received the deducted contributions from your employer. Your pension fund should also provide you with a beneficiary statement once a year.

Visit https://www.fscamymoney.co.za/Pages/resources.aspx or click here to read more about Retirement planning.

4. Conclusion

The world of work opens the door to a new world of money. Suddenly you earn a regular income, some of which you need to save and invest towards financial independence. This is what we will discuss in chapter 5. Time to test yourself!

5. Test yourself

Define life insurance:
Define non-life insurance:
What would be one of the first things to consider when buying insurance?
Explain Prescribed Minimum Benefits?
How does a retirement fund protect you?
Why is your retirement fund off limits when you need cash?

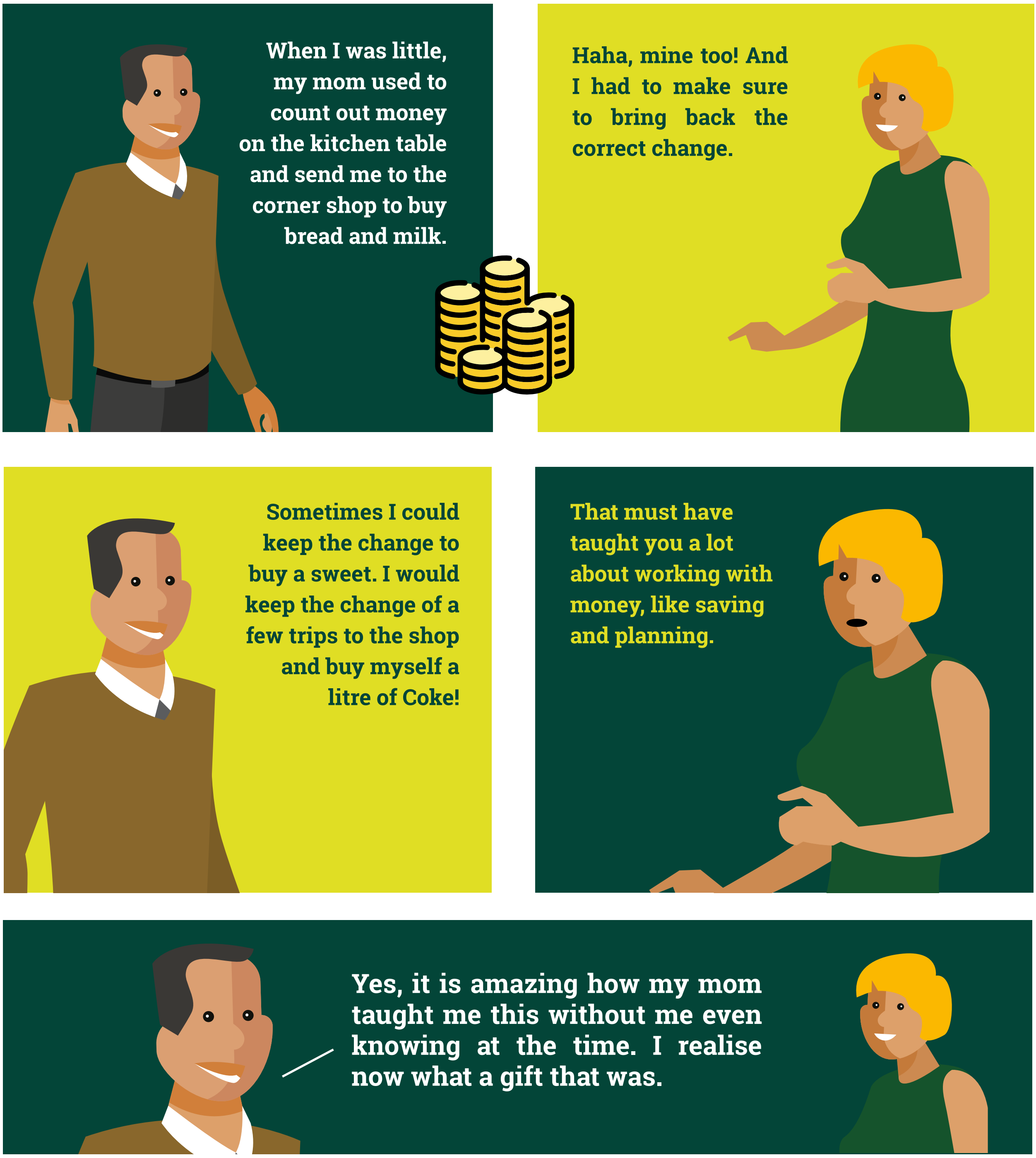
Chapter 5

SAVING AND INVESTING

Chapter 5: Saving and Investing

1. Introduction

Basheer and Mariam learn a valuable lesson



Basheer was a lucky little boy indeed. Not all parents know how to teach their children the ways of money. This chapter will look at saving and investing for young people – even Basheer will pick up a few tips if he cares to read on.

2. The difference between saving and investing

The difference between saving and investing is essential to understand - both are important parts of your financial strategy but play different roles.

- **Investing** allows you to grow your money so you can meet long-term financial goals.
- **Saving** is a short-term strategy where you set aside a certain amount of money to help you accomplish short-term goals.

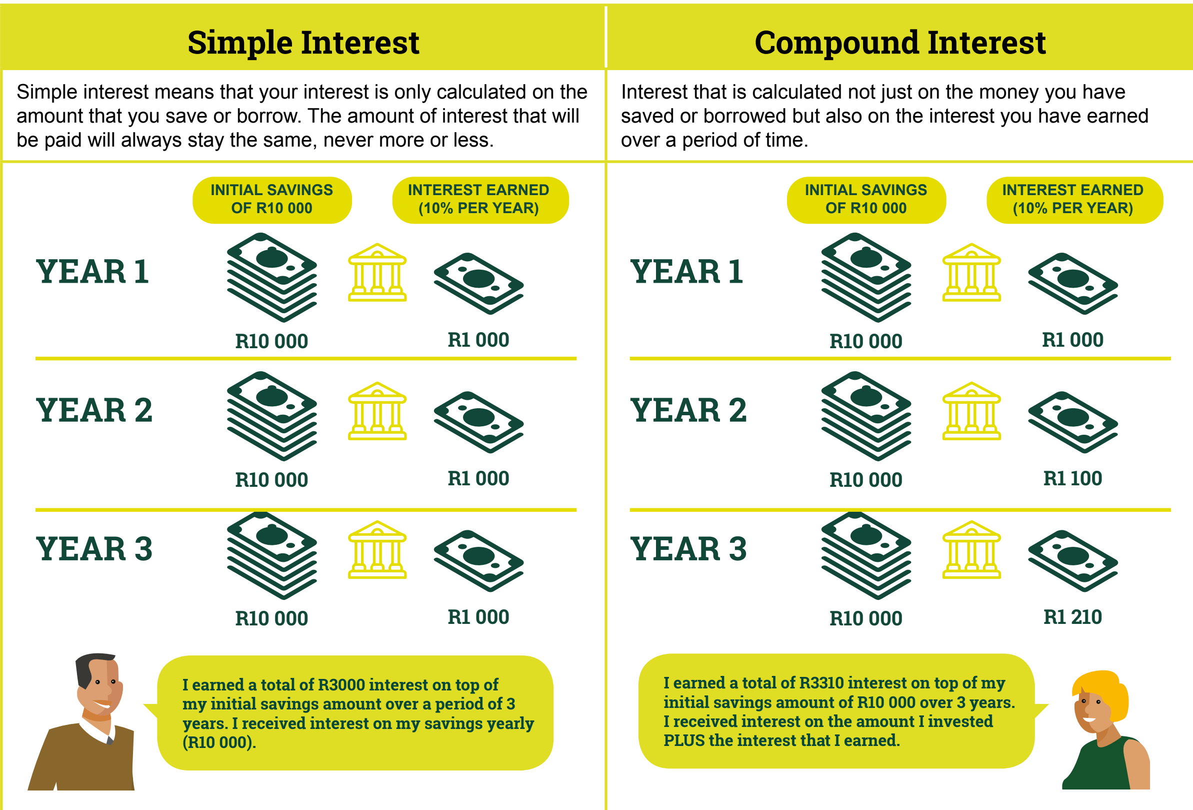
3. Why save and why now?

The sooner you start saving, the better. When you are young you have time on your side – and time is what you need to make your money work for you.

- **The wonder of compound interest**

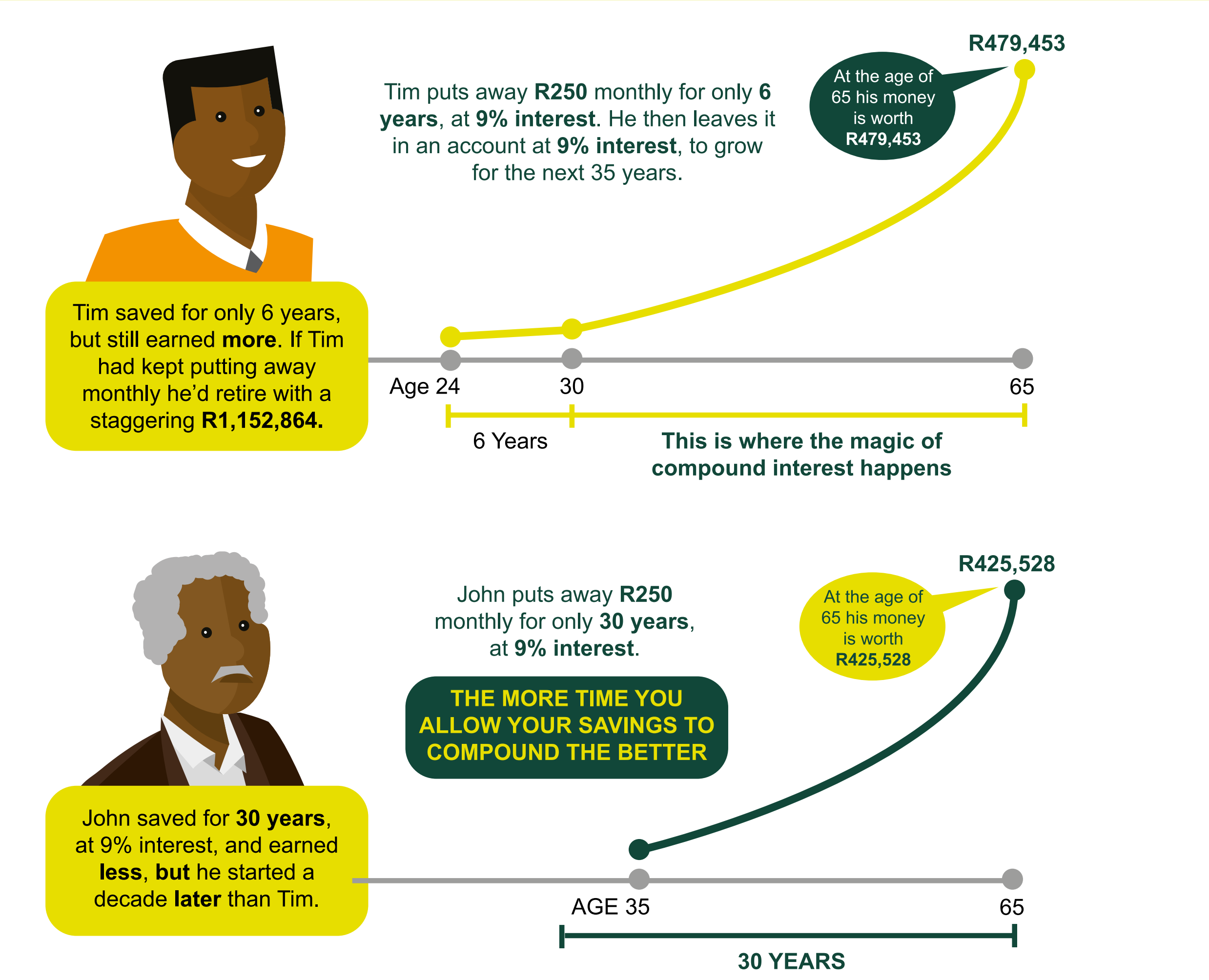
Interest is either money we earn when we deposit cash at the bank or the price we pay for credit. There are two main types of interest**.**

- **Simple interest** is a set rate on the principal amount saved or borrowed.
- **Compound interest** earns you money not only on the principal amount borrowed but also on the interest already earned on that amount. i.e., interest on interest. It works the same way with your debt. If you do not pay your debt regularly, the amount you owe will grow bigger and bigger, with interest calculated on the interest. i.e., you will end up paying much more than initially owed.



The famous mathematician and physicist Albert Einstein reputedly said compound interest was the greatest invention of humankind and the 8th wonder of the world. "*He who understands it earns it; he who doesn't pays it*," he said.

How can compound interest work for me?



Example: Tim is 24 years old and for the next six years, until he is 30, he puts R250 in a bank account every month. That is a total of R18 000. If Tim simply leaves those savings in his account that pays an average of 9% interest per year (per year is also referred to as per annum), by the age of 65, the value of those savings would be about R480 000. This means, in this case, compound interest earned Tim an extra R462 000 without him having to lift a finger.

Had Tim decided to continue depositing R250 per month into his account after turning 30, he would have more than a million rand by age 65. To be specific, he would have a whopping R1 152 864.
That is the power of compounding. It transforms the money in your bank account into a state-of-the-art, incredibly powerful income-generating tool.

Now let's take a look at John, who decides to start saving R250 per month for 30 years, but he only begins at age 35 – 10 years later than Tim! He earns the same interest as does Tim, but after 30 years he only has R425 528.

This shows the importance of time: The more time you allow your savings to compound, the better! Make an early start and reap the fruit of your efforts.

Learn more about saving and investing by visiting www.fscamymoney.co.za

Five saving tips

- Pay yourself first, i.e., before you pay anything else, pay money into your savings account or towards an investment account you have.
- Use a debit order to pay yourself first.
- Make saving, part of the expenses section in your budget.
- Revisit your budget to see where you can save some more.
- Consider a second job or side hustle to make extra money to save.
- Plan for unexpected expenses by starting an emergency fund.

4. Setting your investment goals

Finding and setting investment goals that work for you can be a relatively simple process. The following steps will guide you in the right direction.

Step 1: Write down your goals
Whether you use a financial app, pen and paper, or an Excel spreadsheet, clarify your goals and go over them again later to review or perhaps adjust them.

Step 2: Specify your goals using the SMART format

- ***S**pecific*: Make each goal clear and specific
- ***M**easurable*: Frame each goal in a way that is easy to measure
- ***A**chievable*: Set goals that are achievable
- ***R**ealistic*: Set realistic and relevant goals
- ***T**ime-based*: Attach a timeframe to your goals so that you can track your progress

Are your goals short, medium or long-term?

Short-term goals are set for targets you want to reach quickly. Examples include:

- going on a holiday that requires travel
- paying off debt (e.g., a furniture account)
- building an emergency fund to cover your expenses in case of an emergency (a good rule is to save enough to cover three months of expenses when you are young and single and six months when you have greater financial responsibilities like being married with dependants).

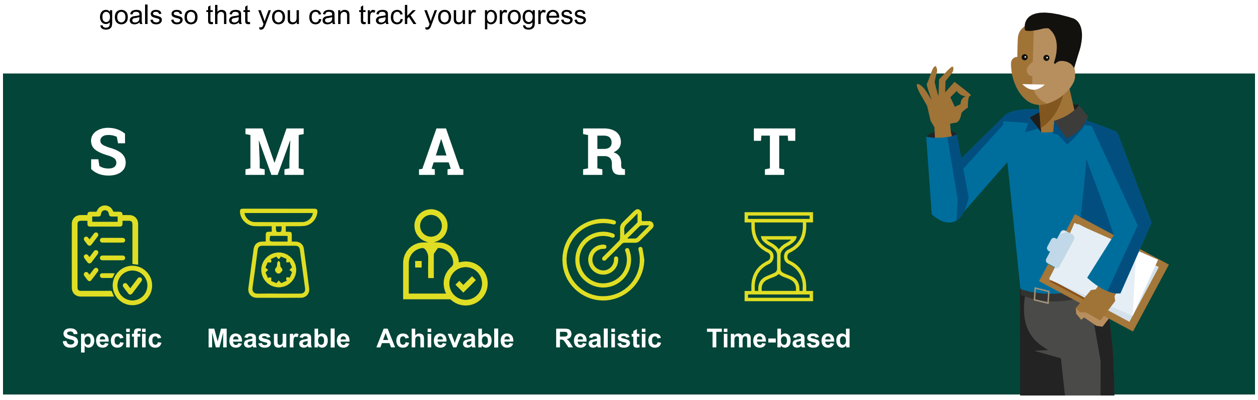
Short-term goals can also be used as stepping-stones on your journey to achieve a long-term dream.

Medium-term goals are suitable for items that will take you between two and three years to save for. Examples include:

- saving for a deposit on a car
- saving for a deposit on a home
- paying off a study loan

Long-term goals generally focus on retirement planning and other investments so that you have enough to live on when you get to the point where you are too old to work. Generally, targets that you set beyond five years are considered long-term goals.

Step 3: Prioritise your goals
Make a list of your savings or investment goals in order of importance. If you have a spouse or partner, ask them to make their own list. In this way, you can see to what extent the two of you agree on your financial priorities. You can then work on a shared list of priorities.



Step 4: Create an action list

An action list sets out the steps you will take to achieve your savings and investment goals. Use it as a guide that can be reviewed and updated as you work towards your goal.

EYE OPENER:

What banks do with your savings

Banks are institutions that match up savers and borrowers. Their primary role is to take in funds – called deposits – from those with money, pool them, and lend them to those who need funds and make a profit in the process.

Example: You have R10 000 in your fixed deposit savings account and your bank is paying you 4,5% interest a year. The bank lends your R10 000 or part of it to someone who needs a loan at an interest rate of 12% per year. The bank has now earned 12% but only owes you 4,5%, leaving the bank with a profit of 7,5%.

EYE OPENER:

How much do you need to save?

When you have just finished school or university and start with your own independent life, you are excited because your life and future lie ahead of you, and it looks bright and promising. Little time is spent thinking about dying, becoming disabled or getting old. But this is precisely the time to start planning for these eventualities.

How much do you need to save? The correct answer is: It depends on what you earn now and what you want to retire on. But here are principles that might help. **Note: The following example is for demonstration purposes only. You are encouraged to talk to your authorised financial advisor about the best solutions for your individual needs and goals.**

According to Mr Ronald King, Director: Financial Intermediaries Association of Southern Africa, you will need to save R1 million for every R4 000 you need per month after retirement, noting that if you are paying tax before you retire, it is likely you will be taxed on your retirement income. This will ensure that you never run out of money and will be able to give yourself an increase every year to protect your income against increases in living expenses. If you want R20 000 per month, you will have to save R5 000 000.

If you want to have the same income after retirement that you are earning now, the percentage of your income you need to save depends on the age at which you started.

- If you start at age 25, you need to save 15% of your income.
- If you start at age 35, you need to save 24% of your income.
- If you start at age 45, you need to save 43% of your income.
- If you start at age 50, you need to save 60% of your income.

Ignoring these rules or starting any later means just one thing: you will not be able to retire.

5. Savings products

If you want to start saving, a bank is a good place to start. You can also save by contributing to a retirement fund, a collective investment scheme or by taking out an insurance policy.

Bank accounts safe and reliable institutions because they are strictly regulated. People often open their first bank accounts when they start working because their salary is paid electronically. When choosing a bank account, do a bit of research – which bank offers the lowest fees for transactions, can you use your bank card for most payments, does the account offer free card swipes?

All banks have various savings products to choose from, depending on what you want to achieve. These products include**:**

- savings accounts
- tax-free savings accounts
- call accounts
- fixed term or notice deposit accounts

These products are available at all banks. Speak to your bank about the different options available to you. In the meantime, let us have a look at a few of them.

Savings accounts are simple and easy to manage. You can put money into your account or withdraw it (take it out) whenever you like. If you use an ATM (automatic teller machine), the bank doesn't even have to be open. Banks are all slightly different, but in all cases, you will need a small amount to open the account and you must keep a minimum amount of money in it. The amount of interest you will earn is relatively low because the funds are immediately accessible.

32-day deposit or call account: You need a larger amount to open this account. You don't have to add to it, but you can. If you want to withdraw money, you must tell the bank 32 days beforehand (32 days' notice). This makes you plan ahead and think before you use your savings. You earn a higher rate of interest on a 32-day deposit account because you cannot take your money out until after 32 days.

Tax-free Savings Account (TFSA): The advantage of a TFSA is that you will not pay tax on any interest, dividends, capital gains and withdrawals, unlike a regular savings account. Most product providers require a minimum monthly contribution of R500, with the option of making monthly or annual contributions or even making contributions as and when the opportunity arises. You are allowed to save up to R36 000 per year in a tax-free savings account, or R3 000 per month, but no more than R500 000 over your lifetime. TFSA's can be opened on behalf of non-taxpayers like minors, but tax is only saved if the account holder is liable for tax. As children are rarely liable for tax, the benefit of a TFSA will be lost.

Understanding how interest works enables you to make the most of your savings. When it comes to savings, you want to ensure that your bank product offers you a good interest rate. In other words, you want to get more money out that you have put into the bank, less any applicable fees and administration charges.

Fixed term or notice deposit accounts: the amounts needed to open such accounts differ between banks. They offer a higher rate of interest, but the money is not easily accessible – for fixed deposit accounts, funds are available after the fixed period specified by the banks. A notice deposit is similar and means you will agree with the bank on what notice is given before funds can be accessed.

NEWSFLASH:

Unhappy with bank products or services?

If you are unhappy about the services received from your bank, you can lodge a complaint directly with your bank. If you are still unsatisfied with their response, you can refer your complaint to the Ombudsman for Banking Services (OBS). Visit www.obssa.co.za, email info@obssa.co.za or call 0860 800 900. You can also WhatsApp the OBS on 066 473 0157

What if I cannot save formally?

Not all saving occurs in formal bank accounts. You can save through informal means as well. An example of this is the stokvel.

According to the National Stokvel Association of South Africa (NASASA) a stokvel is "a type of credit union in which a group of people enter into an agreement to contribute a fixed amount of money to a common pool weekly, fortnightly or monthly." In short, it consists of a group of individuals who agree to meet for a defined period in order to save together.

NASASA lists different types of licensed stokvels on its website, www.nasasa.co.za

Rotational stokvels clubs: The most basic form of a stokvel, where members contribute a fixed amount of money to a common pool weekly, fortnightly or monthly and receive a sum of money on a rotational basis. They are then free to use the money for any purpose

Grocery stokvels: Members typically contribute a fixed amount of money towards the purchasing of groceries at the end of the year.

Savings clubs: Members contribute a fixed amount of money to a common pool at regular intervals, and each member receives a lump sum equal to their monthly contribution at the end of the cycle, usually annually.

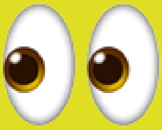
Burial societies: These provide an informal but reliable form of insurance to help members and their families with the costs of funerals.

Investment clubs: Investment clubs save with the view of accessing opportunities that grow their pooled funds. This may be in the form of interest from a bank account, buying stocks or establishing or taking part in a business venture.

Social clubs: These types of groups pool funds to arrange and pay for social activities.

Borrowing stokvels: Money is saved into a pool and used for loans to members.

Multi-function stokvels: These groups have multiple functions and may consist of a savings club that also adds a loans function or a grocery club that may start a burial society, for instance.



EYE OPENER:

Understand interest and maximise your savings.

Interest is the payment or fee the bank pays you when you save your money with them or charges you when it lends you money. That is why your money grows in a savings account. The bank borrows your savings and pays you interest!

Interest is worked out as a percentage (%) of the amount you put into a bank account for one year. This is sometimes written as '…% p.a. …'. One per cent (1%) is one hundredth.

Example

1% interest

- If you put in R100, after a year you get R101.
- If you put in R500, after a year you get R505.

10% interest

- If you put in R100, after a year you get R110.
- If you put in R500, after a year you get R550.

ALWAYS ask how much interest you will pay or earn. Shop around to find the best deal.

Understanding how interest works enables you to make the most of your savings. When it comes to savings, you want to ensure that your bank product offers you a good interest rate.

Would it not be better to get 5% interest on your saving, rather than 2%? Interest rates can vary from anything between 2% to 10%, depending on factors such as how long you commit to keeping the money in your account.

With a fixed-term account, the interest rate is usually fixed for the lifetime of the account (which could be anything from three to 24 months, for example). You will be charged a penalty if you withdraw your funds early unless you give the bank the required notice of your intention to withdraw.

Some banks set a limit on the amount you deposit to set up the account (like R10 000) or the overall amount you can deposit (like R500 000).

Read more about savings products on www.fscamymoney.co.za

6. Investing

Have you ever thought about how to make your money work for you? How to grow your money without labour? Investing can do that for you.

Investing entails a different way of thinking about making money. Most people think of an income as something they earn by going to work every day and getting paid. The problem is that there are only so many hours in a day to make money in that way. Investing is an efficient pathway to financial well-being and covers future expenses such as your children's education or providing income after retirement.

When you invest your money, you buy something that you believe will increase in value over time, for instance, putting your money in the stock market by buying stocks or bonds or in a business or a new home. Sometimes people refer to these options as investment vehicles, which is just another way of saying "a place to invest."

Types of investment – variable and fixed income

- **Fixed interest investments**

A fixed interest investment offers an unchanging interest rate paid out at frequent intervals, like once a year or every six months. The bond or certificate of deposit you invest in is not linked to the prime interest rate, so the rate you are quoted is what you will pay, regardless of the South African Reserve Bank's (SARB) lending or 'repo' rate.

Government institutions or listed companies sell bonds to raise money to improve the country's infrastructure (by building roads, hospitals, and so on).

A low-cost, easily accessible and safe option for the man-on-the-street that generates competitive returns is an investment into RSA Retail Savings Bond. Issued by the South African Government, these bonds are issued in a way to help all South Africans to save for their futures. Pensioners are able to access the interest repayments monthly. Visit www.rsaretailbonds.gov.za, email queries@rsaretailbonds.gov.za or call 012 315 5888 for more information. The RSA Retail Savings Bond can also be purchased from a branch of the South African Post Office.

- **Variable interest investments**

These are investments on which the interest earned varies or differs from time to time. The interest rate can go up or down but generally increases over time.

- **Stocks and shares**

Shares give you part ownership of a company. Shares are also referred to as equities and stocks, which is why we talk about stock markets, stock exchanges and stockbrokers (now called authorised users of exchange platforms).

Companies usually offer shares through a stock exchange to raise initial funds for operations or to fund growth objectives or specific projects. The level of ownership depends on the number of shares you own.

Example

Karabo wants to start investing and is interested in a company that is about to issue 1 000 shares.

Karabo decides to buy 100 shares.

$$1\,000 \div 100 = 10$$

Karabo now owns 100 shares of the total issued shares of 1 000 shares of the company or 10% (100 ÷ 1 000 x 100) 'equity'.

Or, in other words, his 100 shares mean he owns 10% of the equity or stock in the company.

- **Money market, real estate and exchange-traded funds (ETFs)** are low-fee 'baskets' of different investments, like shares, bonds, property, or property commodities like gold. You don't own these assets, but your ETF will track their performance in the market and pay out a dividend (a part of the profit) thereof. Don't confuse ETFs with Exchange-traded Notes (ETNs), which are unsecured debt obligations that carry more risk.

- **Endowments** are typically five-year investments that are really tax-free savings. Shop around, because some companies charge a high annual fee for them, as well as a fee upfront. They are often used to save for a child's education.

- **Property** can refer to bricks and mortar for investment purposes, like a house or flat you can rent out to tenants or to listed property – property companies that list their shares on the stock exchange. Property tends to be a safe and reliable option over the longer term, but it does not always protect the buyer against inflation. A house or flat can also be expensive – can you afford to maintain an investment home, insure the property, pay fees to a rental agent and find suitable tenants, too? As an owner, you will also be liable for the rates and taxes.

- **Collective investment schemes** are funds that invest in asset classes like shares, property bonds or cash. They are managed by a professional fund manager, at a fee, or more passively managed (when tracking an underlying index), which would mean lower management fees.

Digital currencies

A digital or virtual currency is a currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. Many digital currencies are traded, transferred and stored electronically through a decentralised technology called blockchain, which records peer-to-peer transactions on a digital ledger. No third party, i.e., a bank, is involved in the transaction. These currencies are digital representations of value that are not issued by a central bank (virtual money).

Some of the well-known cryptocurrencies include Bitcoin (BTC) and Ethereum (ETH) as well as Litcoin, Namecoin and PPCoin. They have been used for payments, investments and capital raising. Digital currencies are becoming hugely popular as investment tools but are enormously volatile instruments and risky to invest in. The South African regulators are working towards declaring digital assets as a financial product and digital asset service providers (CASP's) as legitimate FSP's under the FAIS Act. In the meantime, in South Africa, investors in digital currency have no recourse if they are scammed, which makes them extremely vulnerable.

Because crypto-related investments are not regulated by the FSCA or any other body in South Africa, the industry is open to an unusual amount of fraud. Traders may promise high returns that are just too good to be true, and investors frequently get caught up in scams. The anonymity of the transactions means that criminals can operate freely, using digital currency for money laundering or tax evasion.

Did you know? Mirror Trading International (MTI) was named the biggest crypto scam of 2020, with R8,6 billion of investors' bitcoin stolen.

Some defining characteristics and risks of digital currencies:

- They have an organic nature. Members of the virtual community agree to accept digital currency units as a representation of value in the same way that physical currency is accepted.
- The unregulated nature of digital currencies generally exposes end-users to risks, particularly the potential to incur sizeable financial losses due to wild demand and supply (and, therefore, price) fluctuations.
- They could be vulnerable to operational risks. A cyber-attack could potentially wipe out the total value of a digital currency.
- Digital currency issuance is very tightly

held, with 99% of all supply being held anonymously by fewer than 1% of the owners. This may pose liquidity problems during a currency crisis or when a financial plan must deliver on emergency funding for unforeseen needs.

- Bitcoin's commitment to a limited production (of 21 million bitcoins) is fundamental to its objective of retaining value. Although it must be noted that this commitment is not contractual, and there is no clear recourse indicated should the currency be devalued (or more bitcoins mined).
- Digital currencies are not immune to the threat of hacking. In Bitcoin's short history, the company has been subject to over 40 thefts, including a few that exceeded a billion dollars in value.

Bitcoin and other digital currencies can be bought and sold in South Africa through the relevant exchange platforms that can be accessed through your personal computer or smartphone using the relevant mobile app. Once you have signed up for an account and it is verified, you need to obtain a digital currency wallet that you use for your transactions.

It is possible to transfer funds from any of the major financial institutions in South Africa to digital currency exchanges, and you can start trading as soon as the funds are cleared.

- **Tax implications:** SARS will apply general tax principles and tax the income or capital gains that are received or accrued to you as the taxpayer. SARS has started auditing investors in digital currency and expects investors to provide proof of transactions from the various digital currency investment platforms. The general rule (2021) is:
    - If you are making profits from trading in digital currencies, this will be deemed as income and taxed at your marginal tax rate (on a sliding scale up to a maximum of 45%).
    - If you buy and hold digital currencies for an extended period and then sell at a profit, capital gains tax (CGT) will apply (your capital gains are added to your annual pre-tax income.
    - The CGT rate can range from 7.2% to 18% depending on the tax bracket you are in).

- **Compliance requirements or exchange control regulations**: As an individual, you may purchase digital currency assets from abroad using your single discretionary allowance of up to R1 million and / or your individual foreign investment allowance of up to R10 million with a tax compliance status PIN (a personal identification number) per calendar year. You will need to apply for a foreign tax clearance certificate from SARS, which will be valid for 12 months.

IMPORTANT: The FSCA warns investors who would like to invest in unregulated, risky assets, such as digital currency, that "if it is too good to be true, then it usually is."

The FSCA will reconsider this view when credible research and regulatory oversight is commonplace and when wealth managers can be appropriately licensed and accredited. The FSCA would like to see a central authority taking responsibility for ongoing oversight and illegal activity through digital currency being traced back to specific accountable parties. These measures would help investors to understand the risks well enough to assess whether they are acceptable in the context of a goal-based financial plan.

For a resource on Shares and Collective Investment Schemes
visit www.fscamymoney.co.za

7. Seeking advice: Finding a financial advisor

Choosing the right advisor is one of the most important decisions you can make. Although many of us follow the recommendations of family members, friends and colleagues when choosing a financial advisor, it is best to make sure that your financial advisor is accredited and authorised by the Financial Sector Conduct Authority (FSCA).

The right kind of financial advice will help you

- set your financial goals to make sure they are realistic and achievable
- stay on track with your finances
- make your money work for you
- avoid expensive mistakes
- protect the things that you own
- make the financial environment easier to understand
- secure your standard of living
- protect your income

What if you cannot afford a financial advisor right now?
This question is often answered by a quick reply of "Can you afford *not* to have a financial advisor?" While this is a valid answer because authorised financial advisors can make a real difference to your investments, for someone just starting, you may not need a financial advisor just yet. For now, just open a savings account and start saving. Once you have saved up a solid amount, say R10 000 or more, you can make an appointment with an authorised financial advisor who can help you invest your money and help you plan the way forward. You can also contact or visit a financial institution and ask for factual information about the different options at your disposal at your current life experience. It is worthwhile to speak to different providers so that you can compare the benefits, risks and costs of the products and services available. This information will be given at no cost to you and can help you to make more informed decisions in future.

How do financial advisors earn their income?
Financial advisors offer a professional service and will charge a fee or work on commission. The maximum commission they can charge is prescribed by law.

Financial advisors earn their income from various sources, including advice fees and commissions. According to the 2019 FSCA booklet, *7 Things You Should Know About Financial Advisors.* Charges to cover the cost of a financial product are often included in the product's price, as are commission and advice fees. Commission and advice fees can also be taken from the value of your investment.

Example: In South Africa (2021), fees average 2.75% of your investment plus VAT. The fees may consist of 0.075% for advice fees, 0.5% for administration, 1.5% for investment fees. You may also be paying performance fees. It is essential to pay attention to what you pay and why; always question whether the cost is justified. The money you pay to invest can greatly affect what you have left in your own pocket.

If your financial advisor cannot show you how much value was added to your investment in return for their fee, you may want to work with another individual or company.

Questions to ask your financial advisor in your first meeting

- **Are you qualified and authorised?** Check if they are authorised with the FSCA and check what they are allowed to advise on – not everyone can advise on every financial product.

- **Do you have references?** A referral from a friend or family member is often a good way to choose a good financial advisor but ask for references from the financial advisor that you speak to.

- **What is the financial advice process that we will go through?** Most financial planning advice follows an internationally recognised six-step process to identify your current financial knowledge and needs. The gap between your current situation and your goals is what will create your financial plan.

- **How often will I meet with you?** Your circumstances change. You should meet with your financial advisor at least once a year to review your plan. For example, if you purchase a house, or have a baby/get married.

- **Do you have someone who can step into your shoes?** If something happens to your financial advisor, is there someone else who can manage the relationship?

- **Which companies do you deal with?** Your financial advisor should be connected to reputable financial service providers. Do they receive training to keep them up to date with industry changes, and do they have access to other financial planning experts (e.g., estate duty, taxation and trusts)?

- **Why is this financial product right for me?** The financial product must meet your needs and suit your budget, so make sure you understand the product benefits, term, and any restrictions on claims or withdrawals as well as how much a financial product will cost you.

- **What do you charge, and what will you provide for this fee?** It is important to understand how your financial advisor earns an income. Find out how this will affect and benefit you. Make sure that you are going to get value for money. Some financial advisors build their advice fees into a financial product that you may buy from them.

- **Please supply me with**: The code of conduct for intermediaries and the fit and proper requirements according to the FAIS Act. The fit and proper requirements are important for financial customers as they set the honesty and integrity, competency and operational ability requirements for all FSPs, key individuals and representatives. It also sets out the solvency requirements applicable to FSPs.

Most FSPs will provide this information and more in their introductory letter to clients. Authorised financial advisors would also typically provide detailed answers to questions about their investment philosophy during the financial need's analysis process and subsequent structuring of an appropriate investment portfolio.

The FSCA has a list of authorised FSPs and financial advisors at https://www.fsca.co.za/Regulated%20Entities/Pages/FAIS-Verifications.aspx

8. Do not lose it to fees

All costs have one thing in common: If the money goes somewhere else, it is not going to you. Likewise, the money you pay to invest has a significant effect on what you have left in your own pocket. The following points are essential to remember:

- All investments have costs.
- The money you lose to costs compounds (rises exponentially) over time.
- Investments with higher costs must overcome these expenses, and, therefore, their performance tends to suffer.

Why do costs matter?
Costs add up. You do not just lose the tiny amount of fees you pay but also all the growth that money might have had for years into the future. Saving even a small portion of your fees can make a big difference to your end investment.

Example: Imagine yourself a couple of years from now. You have put your financial plan in action and have R100 000 invested. If your investment earned 6% a year for the next 25 years and had no costs or fees, you'd end up with about R430 000. If you paid 2% a year in costs for the investment, after 25 years, you'd only have about R260 000. You can see the damage: The 2% you paid every year would wipe out almost 40% of your final account value. That 2% is not as small as it seemed, right? A 2013 National Treasury report noted that if you reduced your annual investment fees from 2.5% to 0.5%, you would receive a benefit of 60% greater at retirement after 40 years. That means retiring with R1.6 million instead of R1 million.

Invest/Investing
Placing money into a financial vehicle (venture) such as shares, stocks or similar.

Investment
To put money into something that you think will increase in value over the long term. There are a variety of investment vehicles that can help you grow your money, such as stocks, property, bonds and annuities.

Investor
A person who buys (invests) in shares, bonds, etc., in order to make a profit.

Make very sure of the cost of any investment before you put any money in it. Ask your authorised financial advisor to do the maths for you and negotiate a lower fee if possible.

9. Conclusion

We looked at the difference between saving and investing, the wonder of compound interest, how to set your investment goals using the SMART format, savings and investment products, insurance, saving for retirement and a financial advisor's role. We also discussed how fees could add up to surprising amounts if you do not keep an eye on them.

In the next chapter, we will focus on scams and fraudsters who want your money.

10. Test yourself

What is the difference between saving and investing?

What is compound interest, and what does it teach us about starting to save as early as possible?

Discuss the SMART format for goal setting.

What is the purpose of a pension, provident or retirement annuity?

How does life insurance protect your loved ones after you pass away?

What is the role of a financial advisor?

Do you think a financial advisor is necessary, and why do you think so?

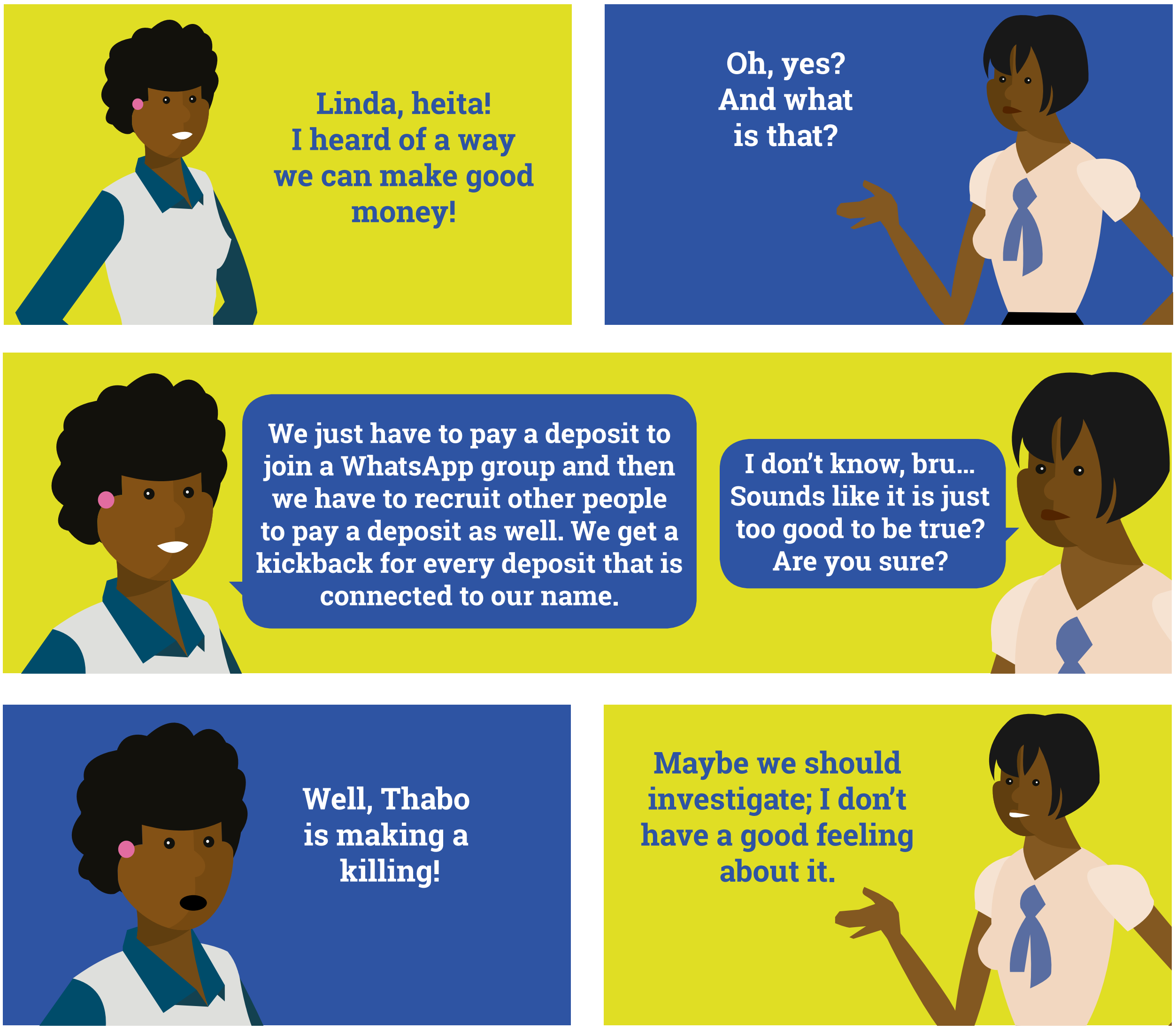
Chapter 6

SCAMS - WHEN PEOPLE WANT TO
TAKE WHAT'S YOURS

Chapter 6: SCAMS – when people want to take what's yours

1. Introduction

Zonke and Linda hear about an opportunity



This chapter is about the possibility that someone may try to trick you into investing money with them, with the sole intention of stealing your money, and the different ways they may go about it.

A scammer can be anyone, even someone you admire or trust. They prey on your need for financial security and your desire to believe that get-rich-quick schemes really exist. These scammers will talk about their life and their success. What they tell you may sound like it is legal – however, this is how they get you to join their illegal schemes. Remember, scammers only want your money; they do not care about you.

2. Types of scams

Personal data scams
Phishing or 'smishing' is a criminal activity that uses social engineering techniques to access your personal information such as passwords and other details by pretending to be a trustworthy institution in an electronic communication like an email.

Investment scams
These are scams that try to get you to invest your hard-earned savings into fraudulent schemes by promising unrealistic, remarkably high returns. Some of these scams include:

- Pyramid schemes
- Ponzi schemes
- Pump-and-dump fraud
- Advance fee fraud
- Offshore scams
- SMS phishing
- Identity fraud
- Online gifts
- Travel fraud
- Job Scams
- Truck scams
- Property scams
- Digital currency scams

A few simple rules to avoid being caught by a scam

- Reject unsolicited calls, emails, text messages or visitors to your door.
- Check with the FSCA if the investment company is registered.
- If you are considering an investment, seek independent financial advice from an authorised financial advisor.
- Always take care of your personal data.
- Never answer an SMS if you are not 100% sure who it comes from.

Questions you should ask when a person or company wants you to invest with them:

- Are you registered with the FSCA? What is your Financial Services Provider (FSP) licence number?
- In the event of a stokvel – Are you registered with NASASA? What is your registration number?
- May I look through your constitution for this stokvel? Who are the leaders of the stokvel, and what are their contact details, so I can communicate with them?

- How long have you been in the investment business?
- Are you registered with the Financial Planning Institute (FPI)?
- Can you show me proof of your company registration?
- What are your qualifications?
- Do you require me to introduce or recruit other people?
- What are the risks of this scheme?
- What financial product am I investing in? (Be especially careful of products that involve digital currency as they are not regulated in SA and there is currently no recourse available).
- Will I receive copies of signed documentation?

Beware of red flags!
There are several red flags or giveaway clues that the investment could be a scam.

- High returns in a short space of time.
- Guarantees – be suspicious of anyone who guarantees you a return. Investment will always carry a degree of risk.
- Unregistered advisors – many scams involve unlicensed advisors selling unregistered investments, including shares, bonds, hedge funds and other fictitious instruments.
- Overly consistent returns – be cautious of investments that go up month after month or provide remarkably steady returns irrespective of market conditions.
- Complex strategies – avoid anyone who credits their success with a highly complex investing technique. If they cannot explain it clearly, walk away.
- Missing documentation - if someone tries to sell you an investment without a prospectus or an offering circular, they may be selling an unregistered investment.
- Pushy salesperson - if someone pressures you to decide on a stock sale or purchase, walk away. This may not necessarily be an indication of fraud, but it is poor business practice.

3. Knowledge is protection

Always research the individual or company offering you an investment opportunity. They may have an official-looking website, but this does not mean they are registered or legitimate. When in doubt, ask an authorised financial advisor to look into the company for you. If necessary, establish their physical existence and try to ascertain whether they are 'fronting' or a genuine going concern.

- The FSCA will be able to tell you if the company is authorised to conduct business in South Africa. Fraudsters have been known to steal the registration number of an approved financial services provider, so you may need to dig a little deeper.

- Pyramid schemes hold seminars or household meetings to attract new members or send unsolicited messages via email, post or social media. They can also 'cold call' you. Few people like to be rude, which is something they are counting on – and they also rely on the fact that you may keep such a meeting from your spouse, children or neighbours. It is best to discuss possible opportunities with people you know, as you are in a good position to warn others about a potential scam. Fraudsters often use members to attest to their excellent reputation at meetings, but this does not mean they are above reproach – do your homework.

- Some legitimate businesses also contact you through various methods, so make sure you know the difference between a fraudulent and a genuine organisation.

SCAM

NEWSFLASH:

What to do if you have been scammed

- Report the fraud to the South African Police Services (SAPS).
- Ponzi and pyramid schemes should be reported to the South African Reserve Bank and the National Consumer Commission, as these are contraventions of the Banks Act and the Consumer Protection Act. Refer to the Useful Contacts section of this resource.
- Forex and investment-related scams should be reported to the FSCA. Refer to the Useful Contacts section of this resource.
- If you think you may be actively participating in a pyramid scheme, break off contact with the fraudsters immediately and do not invest more money.
- If you have given the fraudsters your bank account details, alert your bank immediately.
- Stop all debit orders immediately.
- Keep any written communication you have received from the pyramid scheme. This may help as evidence for the relevant authorities.

Please note that you are now likely to be a target for other fraudsters or fraudulent schemes. Fraudsters tend to share details about people they have successfully targeted or approached, hiding behind different identities to commit further fraud.

If you have already fallen victim to fraudsters, you are now vulnerable to 'fraud recovery fraud.' This is when fraudsters contact people who have already lost money through fraud and claim to be law enforcement officers or lawyers. They advise you that they can help you 'recover' your lost money – but request a fee.

4. Conclusion

We have all heard that when something sounds too good to be true, it probably is! Still, people get scammed. Only do business with financial services providers who are registered with the FSCA.

We have looked at different types of scams, how to distinguish between a real investment, legitimate stokvel or a pyramid scheme, and what to do if you have been scammed. In the next chapter we discuss owning your own business and how to go about it.

Remember always to research the individual or company offering you an investment opportunity.

5. Test yourself

What do you think it means when something is too good to be true?
Why should you only do business with FSPs that are registered with the FSCA?
What is a pyramid scheme?
What should you do when you realise you have been scammed?

Chapter 7

YOUR OWN BUSINESS

Chapter 7: Your own business

1. Introduction

Khaya and Sibusiso want to start a side hustle

*Eksê, Heita: Hello; La eskasi: Here in the township; Mfowethu: My brother

2. Finding a business idea

If you are thinking about starting a business, you may already have a good idea of what you want to do. Do a quick search for existing companies in your chosen industry to find out who else has a similar business, what they are doing and figure out how you can do it better.

Ask yourself 'Why'?
Do not launch a business without knowing why you are doing it. What are your aims? What do you want to achieve on a personal and business level?

Franchising
Another option is to open a franchise of an established company. Well-known franchisors are Wimpy, Kentucky Fried Chicken, Abacus Maths and Dream Nails Beauty. When you buy a franchise, the concept, brand and business model are already in place; all you need is a good location and the means to fund your operation. A good place to start is the Franchise Association of South Africa (FASA) at www.fasa.co.za.

Suppose you think your business can deliver something other companies do not (or provide the same thing, only faster and cheaper), or you've got another solid idea for a great business - in that case, it is time to look at a business format and a business plan.

3. Business formats

Choosing the right business format is one of the first decisions a prospective businessperson should make.

The various business formats have different legal consequences that business owners are often not aware of. Make sure you are well informed about your responsibilities in terms of the law.

Here are three different business formats you might want to consider.

- **Sole Proprietor/Trader**. This is a business with a single owner, is unincorporated (no registration formalities and compliance) and there is no distinction between the business and the owner.

  - **Advantages**
    - A sole proprietorship is easier to set up than the other business formats.
    - As an owner, you have 100% ownership of the business.
    - As the owner, you get all the profits.

  - **Disadvantages**
    - As the owner you assume all the risks.
    - If you want to include other owners in the business, you have to dissolve your business and form a new company.

- **Partnership**. This kind of business may have multiple owners, is unincorporated (no registration formalities and compliance), and there is no distinction between the business and the owner.

  - **Advantages**
    - Access to more capital.
    - Access to more knowledge and expertise.

  - **Disadvantages**
    - Responsible for all debts, even those incurred by partners.
    - Control of the business is shared among partners.

NEWSFLASH:

The **Sole Proprietor/Trader** and **Partnership** does not exist as separate from the owner. Therefore, any legal rights and obligations acquired through the course of the business lie with the partners collectively or the owner, respectively.

- **Trust**. A trustee or multiple trustees (no more than 20) sets up the trust to hold assets and or conduct business for the benefit of the trustees. Trusts have a higher degree of protection to trustees and beneficiaries and possibly lower costs.

  - **Advantages**
  - **The trust protects your assets** against personal creditors because the trust's assets belong to the trust alone. This means that creditors cannot claim against your personal assets.
  - **The admin costs of a business trust are less** than that of a company or CC. For example, a trust is not legally required to hire an auditor, disclose financial statements, pay annual fees to the Registrar, and so on.
  - **Taxes related to trusts are less complicated** regarding income tax, capital gains, and the various documents that have to be submitted to SARS.

    Did you know? Close corporations were a popular business type choice in the past, however now further registrations may not take place. Existing Close Corporations (CCs) will remain in place and can be converted to companies if the owner wishes to do so.

  - **It is cheaper and easier to dissolve a business trust** than a company.

EYE OPENER:

What the law says

The Companies Act, 71 of 2008 (the Companies Act), encourages small business owners to register companies. Your safest option is to ensure that your business is entirely separate, distinct, and independent from yourself. Companies enjoy separate legal personalities and are separate from the members and shareholders. The firm is conducted in the name of the CC or company, and the assets and liabilities of the business are that of the corporation and not that of the individual members.

4. The importance of a business plan

If you aim for a business loan with a bank or an investor, you must have a business plan. Your business plan needs to be presented logically with the right type of information. A well-presented business plan will help convince the bank manager or an investor to provide you with the financial assistance you need to start your business.

- A business plan is an essential tool for managing and growing your business.
- A well-designed plan lays out a vision of growth and the steps needed to get there. A business plan is also an essential communications tool for attracting financing for your business and managers and staff as your business grows.

According to the FSCA MyMoney series, there are seven components of a business plan, these include:

- **Executive summary.** Provide an overview of your business in terms of your vision (long-term goals), mission (your ultimate goals).

- **Business description.** Explain what your business does or will do, when you started it, its legal format, any achievements.
- **Market analysis.** This is also known as a SWOT analysis, which is an analysis of your strengths, opportunities, weaknesses and threats.
- **Organisational management.** Who will your board members be and the combined years of experience in their fields, i.e., marketing or sales?
- **Sales strategies.** How are you planning to sell your product or service?
- **Funding requirements.** How much money do you need and what it will enable you to do?
- **Financial projections.** Provide a snapshot, however sparse, of your financial position.

EYE OPENER:

Not everybody is cut out for business ownership

Successful business owners often share similar yet specific characteristics and traits. Do you have what it takes? Dewet Schoeman, Programme Director: Entrepreneurship at the University of Stellenbosch Business School Executive Development (USB-ED), highlights some of these characteristics and traits below:

Integrity: A high level of integrity is essential for success. You have to set an example by living out the values and ethics of your business. To earn trust from employees, customers and other stakeholders, you have to be 100% authentic, transparent and direct.

Passion: Most successful small business owners' businesses are based on their passions, or they can integrate things they are passionate about into their day-to-day operations. Without a true passion for their industry or craft, many businesses fail because they lack motivation and driving force.

A positive approach towards life: Great leaders see a glass half full rather than half empty. Staying positive even when the odds are stacked against them often takes a business from being good to being great.

Confidence: Effective leaders believe in their ability to achieve set goals. It is, however, essential that this confidence is balanced and not overpowering.

Industry knowledge: Business owners must know the industry they operate in before heading into a competitive market. They must also have a full understanding of the day-to-day operations side of their businesses, even if they entrust the running of this to others.

Innovation: The world of business changes constantly. Successful business owners are innovators who can find solutions and make new plans.

Business acumen: To be a good business leader, you need to have a good sense of how a business functions. You must understand the bigger picture and all its dynamics.

Empowerment: The ability to inspire and empower others is indispensable. A good leader knows when to delegate responsibility and tasks.

5. The importance of sound financial management

Sound financial management is essential for every business so that it can be sustainable and grow. It is the careful tracking and management of your business's finances and cash flow. This requires making use of financial reports like an income statement, balance sheet and cash flow statement. It also deals with operational matters like procurement, stock / asset management, project management, investment decisions, and how to raise capital and at what cost.

Without sound financial management, your business information can be wrong, and this can affect decision making for the future of your business. What may seem like a minor issue now can become a bigger one in the future and ultimately put your business success at risk. An example of sound financial management is re-investing profits back into the business rather than withdrawing such for a new television or fancy car. It is important to build up a financial buffer to keep the business afloat in tough times when sales may be down.

According to Business Partners, a leading investor in South African, many small businesses fail because of poor financial management and record-keeping.

To run an efficient business, you have to learn about financial management. The most successful business owners know their shortcomings and employ financial experts. However, as owner-manager of your own business you must be able to understand and use the main outputs of a good financial management system.

Example:

- Do you know the current assets/ liabilities ratio of your business?
- Do you know what it should be?
- Do you know your debtor's turnover, your creditors' turnover and your stock turnover? Do you have targets set up for these?

If not, it is time to learn the basics. Do a course, read a book, or ask your accountant or auditor to teach you.

6. Fifteen (15) essential tips for starting your own business

Ms Petro Bothma, Head of Enterprise Development and Non-Financial Support of Business Partners, has seen many start-ups come and go during her three decades in the field. She compiled the following list of essential tips for anyone thinking about starting their own business:

Is your idea viable?
Will your business idea attract enough customers to make your business thrive? There is only one way to find out: test the market by selling a few of your products, even if they are prototypes, or if you are providing a service, even if you have to do the job after hours. The first thing to do for an aspiring business owner is not to write a business plan or register a company. The first step is to test the market by selling something.
Identify your market segment
Think who your ideal customer would be, and also identify who you will NOT be selling to. An expensive car dealership will not sell enough if it markets to young people, and a take-away outlet next to a taxi rank will not be able to sell expensive gourmet food. If you identify your market, you will likely waste a lot of time and money talking to the wrong kind of customer.
Become an expert in your field
• If you seem to know your business, customers will enjoy doing business with you. Blog, write articles and comment on social media about your product and service. Become an expert in your field. If you sell coffee, do not just be another barista, be a coffee expert. • You do not have to wait until you are an expert before you start your business. Start and grow your knowledge and reputation from day one.
Learn to speak "accounting"
• The terminology and language of investors, financiers and accountants can be intimidating, but in reality, the concepts they deal with are pure common sense which anyone can understand. Educate yourself by searching and gaining a better understanding of unfamiliar terms, reading books about basic, simple accounting, doing a short course, or asking friends and family. • If you leave your business to the accounting and finance experts without understanding what they do, there is a good chance that the unscrupulous ones will rob you blind.
From the start, always market and sell
• If you do not sell, you will have no business. You do not have to be a born salesperson or even have to like selling. The more you do it, the easier it gets, and the more your business will thrive.
A strong network is invaluable
• Your network (friends, family and acquaintances) can play a key role in your success, but this does not happen overnight. You have to build out your network by working on it daily. • The best networkers are found at social engagements, events and are members of associations and clubs where they spread the word about their business. • It is also important that you give to your network, for instance, hand out advice, new business, and referrals.

Develop a short marketing pitch and use it often
• Become your own marketing tool by learning to explain what it is that your business does and why it is better than other businesses in your field in less than a minute. • Write down your marketing pitch, practise it and teach it to your staff and associates.
Earn trust
• New businesses do not yet have the trust of customers or clients because your business is not yet a proven success to them. You may have to “fake it” for a while, pretending to be more substantial than you really are, to get an opportunity to prove your worth. This must always be done within reason and the ambit of the law. • You can build trust by not taking on more work than you can safely deliver, by under-promising and over-delivering rather than the other way around, and by quick and open communication about any mistakes.
Manage your cash flow
• If you run out of cash, your business will die. Retain as much cash as you can in your business by controlling expenses, prompt invoicing and making sure your clients pay on time. Stay aware of your bank balance and cash flow.
Do it right from the start
• It can seem almost impossible to stick to all your industry’s regulations and formal record-keeping requirements. There is so much to take care of that it is easy to neglect compliance, but it is easier to do things right from the start. When your business starts taking off, non-compliance can cause serious problems.
Look the part
• You set the tone for your business. Dress appropriately to look professional and show customers, suppliers, and workers that you are serious.
Develop a thorough business plan
• An effective business plan is written for yourself and your team in your specific field. It is short and clear, focusing on the financials and up to date with the latest developments in your business.
Keep your passion alive
• If you are not excited about it, building a business will be too difficult, and you may struggle to survive. Keep yourself motivated so that the stress of starting a business does not catch up with you.
Persevere
• Get used to long working hours, lots of fighting setbacks and fixing mistakes, little money, few days off and hearing the word “no”. You will likely experience some hard falls. Get up, dust yourself off, and continue. It does get easier over time, and your own business results can be the most rewarding of any career.
Have fun
• Having fun is more of a mindset and a conscious decision than you might think, and it will help you get through difficult times.

7. How to register a company

The Companies and Intellectual Properties Commission (CIPC) has made it easy to register a new company on its website:

- Register as a CIPC client.
- On the CIPC website, choose the 'Register a New Company' option.
- In 2021 the cost to register a company is R125 for a private company and R475 for a non-profit registered without members.
- You can submit up to four names as options for consideration at the cost of R50 per option.
- You can register a company without a name. The CIPC uses the unique registration number as the company name till you choose a name.
- You will need to submit a certified copy of your ID or passport.
- Informal businesses and sole proprietors do not need to register with the CIPC, but there are benefits to registration.
- If you want to do business with government or companies in the formal sector, you will need to be registered.
- Registered businesses have a lower tax rate than individuals.
- Even if you do not register with the CIPC, you will need to register with the SARS within 60 days of the start of operations.

The CIPC has launched a new website called www.biz-portal.co.za which assists you to register your company, reserving a name and registering with SARS in a few easy steps.

8. Finding the money

It is no secret that while there are business ideas aplenty, access to finance is notoriously tricky to find. Some start businesses in the knowledge economy and can get off the ground with a laptop and a desk in their homes, but others need more. Once you know what you want to do, have done your research and drawn up a business plan, where do you go to find capital?

Different types of funding

Bootstrapping is an innovative way to self-fund the start-up or growth of your business. Think of something started in a garage or at a dining room table with a laptop.

Capital can also be obtained by attracting investors to buy shares to "own" a part of the business (called equity) or by taking a loan from a family member, friend or a licensed financial institution (called debt). While equity funding is generally cheaper, it can dilute your ownership and / or control. Be aware that loan applications will require drawing up a business plan to present to the credit provider. Before taking out a loan, shop around for the best interest rate and loan conditions, and check the small print. Only take out a loan that you are confident the business will be able to pay pack.

The most common source of financing for a smaller business is to obtain a loan from a credit provider like a bank. Government funding platforms - dedicated to growing entrepreneurship in South Africa.- are another important source of capital available to qualifying small businesses and individuals. These include the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA). See Useful Contacts below for relevant contact information.

Government funding is further available through the National Youth Development Agency Grant Programme, a platform designed to provide young entrepreneurs with an opportunity to access both financial and non-financial business development support to help establish or expand their businesses. While grants do not have to be repaid, there are usually strict terms and conditions. There are several lesser known but effective financing options to consider:

- **Venture capital:** Instead of coming from individual investors, venture capital funds are pulled from larger capital fund providers. In exchange, a venture capitalist will seek shares in return.
- **Angel investors:** Angel investors are individuals with money to invest in projects they find useful, sometimes in exchange for a stake in your business. Requirements can be specific and prescriptive, but angel investment can forge long-term partnerships.
- **Crowdfunding:** Crowdfunding is a popular means to fund a start-up business by asking for financial input from a vast public crowd. If your campaign can convince people that your business will work, they might contribute funds to it. Specific requirements and a watertight business plan are needed.

Remember that investors, be it a bank or an angel investor, like to invest in things they know and understand. Conversations with investors who do not understand your industry is unlikely to be successful.

CASE STUDY:
Bootstrapping

Gerhard Potgieter, the owner of two Mieke's Cottage and Antiques outlets, started his furniture restoration business in his garage when he was in his 20s.

Bootstrapping
Gradually building up stock and a client base with the money you have.

He bootstrapped himself into the business by taking it slowly and gradually building up stock and a client base with the money he had was mostly debt-free, which made it so much easier to sleep at night according to him, whilst building his business.

CASE STUDY:
Small business funding

Mo Mondisa, CEO of Kid's Cooking Club Cape Town, needed to grow her small business as she had reached a point where she had to turn away new customers because she could not accommodate them.

She approached lender Lulalend. "It was a quick process, and they were always there to encourage me not to give up when things got difficult. I applied online for free, provided some basic details and was approved within 24 hours. It is tough to get access to funding for small businesses. We tend to go to banks first, where you have to fill out a 60-page bible. Lulalend solved my problem quickly and efficiently," she says.

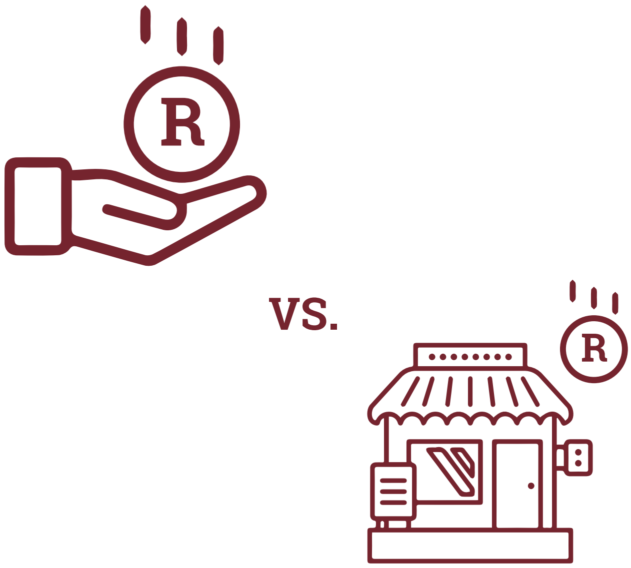
CASE STUDY:

Crowdfunding

Catherine du Plooy, COO of BackaBuddy, says crowdfunding is a valid option to get funds for a business. According to the personal finance website Investopedia, crowdfunding is the use of small amounts of capital from a large number of individuals to finance a new business venture.

"What makes a crowdfunding project work are the combinations of a powerful story, a tangible campaign with a specific, measurable target, and a passionate individual or champion behind the campaign that wants to see it succeed.

"The biggest mistake people make is to assume that once they get their crowdfunding campaign going, donations will appear. Marketing your crowdfunding campaign requires continuous effort. Many campaign creators draft their content around generalities while donors much prefer contributing to campaigns that clearly set out what is needed; for instance, I need to raise R10 000 to buy ten pairs of school shoes for children who attend my community school," she says.



9. Separating your personal and business finances

Business bank account

You cannot open a business bank account until you have a CIPC registered company and can show the registration documents.

To open a business bank account, talk to a consultant responsible for dealing with new business accounts at a bank. If you have been using a bank already, try this bank first. However, consider checking out other banks that may offer you a better deal. Choose a bank or branch that is located conveniently near to your business.

Shop around for the best value and service and check the bank fees charged by various banks for cheques and other transmission accounts. Ask for overdraft facilities (this can take some time to approve).

For unregistered businesses

If you do business as a sole proprietor or a partnership, you will not have CIPC documents to show. However, that does not mean that you cannot have a bank account for your business. You can open a regular current/cheque account at another bank and use that as your business account. The most important point is that you do not mix your personal and business funds.

10. Taxes

See a tax consultant to make sure you register yourself or your business as a taxpayer in the correct category and to obtain a tax reference number.

You will be required to register with SARS for the following periodic returns:

- Register your business for income tax (Form IT77C)
- Register yourself as a taxpayer if you have never been registered before (Form IT77)
- Register for PAYE, Skills Development Levy and Unemployment insurance Fund contributions (Form EMP101)

Depending on factors such as turnover and payroll amounts, you could also be liable to register for other taxes and duties such as

- VAT
- PAYE
- SDL
- UIF

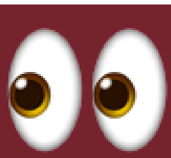
Who is a provisional taxpayer?

According to SARS, a provisional taxpayer is any person who receives income (or to whom income accrues) other than a salary. Most salary earners are therefore non-provisional taxpayers if they have no other sources of income.

11. Protect yourself and your business

Business owners and businesses need insurance just like individuals do. The type of insurance you buy largely depends on the business you have. The following list covers some of the things you should think of. Insurance companies have products that are specifically aimed at business owners. Speak to your authorised financial advisor or compare the different products by doing some research. Depending on the type of insurance cover that you take for your business, insurance can include cover for the following:

- Fire
- Buildings (combined)
- Business interruption
- Theft
- Office contents
- Money
- Glass
- Goods in transit
- Business all risks
- Accidental damage
- Fidelity insurance (theft by employees)
- Public liability
- Employer's liability
- Umbrella liability
- Group personal accident cover (individuals and employees)
- Vehicles
- Electronic equipment
- Machinery breakdown
- Business interruption following machinery breakdown
- Deterioration of stock



EYE OPENER:

How do I find the right insurance for my business?

In order to find the right insurance products for your business needs, you need to get quotations from multiple insurers and compare the policy benefits, inclusions and limitations (what the policy does not cover), excess amounts and the premium.

When it comes to non-life insurance, a financial advisor can provide you with options that suit your needs and your budget for your business. Some financial advisors can only offer advice on specific financial products, whilst others can offer you a range of financial product solutions from multiple product providers.

Shop around for the best product that suits your needs and your pocket. As your business grows, so will your insurance needs. It is important to keep your insurer up to date with any business changes and business growth in order to have sufficient cover for emergencies.

12. From side hustle to business

Pursuing your passion, saying goodbye to the security of a salary, and starting a business from scratch is the dream of many. How can you make that shift? Here are a few tips to consider:

- **Think of your side hustle as a business.** If you want to create a business based on your knowledge of cars, do not fix your neighbour's car for free. Your expertise has been built up over years of tinkering and learning. While you were enjoying figuring out how an engine works, you were also acquiring marketable skills.
- **Weekends are for learning and earning.** Entrepreneurs work at their jobs and their 'side hustles'. On average, they spend 20 hours a week building their side hustle, developing their skills and working on projects for clients. If you are not excited about spending your spare time on your side hustle, you will not spend time on your business when you do take the leap.
- **Slow and steady wins the race.** The most significant advantage you have as you work on turning your side hustle into a successful business is that you do not need to rush. While you have a salary, you have the freedom to build the business you want. You will not be forced into making choices because you are stressed about earning an income. Taking your time will also teach you a valuable lesson: spend money only when and where it is needed. Do you really need a new laptop or a new set of tools? Only you decide if and when these items are necessary.
- **There are no rules that say you need to build your business on your own.** There are skills and insights that family and friends can bring to your project that will help. Even a simple gesture of support makes it easier to keep going when you are faced with a challenge.
- **Do not walk away from your job until you have enough money** to cover your monthly expenses and turn a small profit. Understand your cash flow and establish a network of customers before taking the leap. Money can disappear very quickly when you are self-employed, so stick to a budget – it is helpful to take a bookkeeping course, too, to track your finances closely.
- **Test your side hustle as a business** while you are still employed if you can.

Find out more about starting your own business in the FSCA's booklet on Business Finance: Start a business. You can find it at www.fscamymoney.co.za

13. I am NEET, What about you?

According to the Department of Higher Education and Training, NEET refers to the number of people not in employment, education or training. According to Statistics South Africa (StatsSA), a person can be classified as an **inactive NEET** for various reasons such as managing a home (homemaker), health reasons, too young/too old/retired/, discouraged work-seeker and other unmentioned reasons, while **unemployed NEETs** are people who are neither in employment, education or training but actively seeking employment, and available to start work.
Close to 17 million people aged 15-60 were NEET in the second half of 2020, or 44% of all people aged 15-60 in South Africa. More than half of the approximately 17 million NEET persons referred to above were younger than 35 years.

For NEETs, times are challenging indeed. However, it is important that you never give up. Learn basic skills, get a driver's license, find someone self-employed who may be prepared to give you training.

Economist Mike Schüssler says that getting your first job is probably one of the hardest things in life and often takes a while before it happens. If you have not had a job, you are often regarded as not having 'proven' yourself yet. This is his advice for NEETs:

- Even with grade 12, you are only semi-skilled
- For grade 12s who can afford it, there is only one solution: to further your studies.
- If you did not finish grade 12, find out where skills shortages were and then try to get involved in a Seta programme or ask for job training.
- Get a job, then negotiate and work your way up. It is not an automatic thing. Yes, South Africa's unemployment is high, but young people struggle to find jobs all over the world.
- Think practical. Even if you have to work for a pittance and live with your parents, get that initial work experience.
- If you get a job, work hard. Employers want people who are productive and efficient.
- Having a job is a privilege. Remember, the world owes you nothing, but you owe yourself everything.
- If it takes too long to find a job, try finding some volunteer work. It will expose you to some experience that may make finding a job easier after a while.

14. Conclusion

Starting a business is the dream of many, whether employed or unemployed, as a dream to come true or as the only way they can see to survive.

A last but important tip is to find a mentor, someone who is already running a business with some success. Small business owners are quite happy to share how they started their business and what obstacles they had to overcome on the way. You can learn a lot from their stories.

15. Test yourself

What is a business format, and why is it important for someone who wants to start a business?
What is a business plan, and why do you need one?
List 5 traits of a person who is likely to succeed in business.
Where does one register a new company?
If you were to start a business, which two ways to find money would you try first?
Is it possible to change your side hustle into a business? How?

Chapter 7

Chapter 8

A VIEW ON THE FUTURE

Chapter 8: A view on the future

1. Introduction

You have made it to the last chapter and it is time to look back over what you have learned. In the previous chapters of this handbook, we discussed

- spending habits
- the purpose of money in life
- how to budget and why
- why you should have a will
- debt management
- financial intelligence

We looked at the world of work and money, including

- your first salary and your future wealth
- how to read your salary slip
- how to protect yourself with insurance and planning for retirement

In the chapter on saving and investing, we talked about

- why you should save and why now
- setting investment goals
- different ways of saving and investing
- financial advisors
- the cost of investments - fees

We investigated the world of scams and fraudsters and how you can protect yourself against them.

Last but not least, we looked at how you can start your own business.

With all this information at hand, you are now better prepared to unlock your potential and be thoroughly informed about the role money can play if you manage your finances correctly. With some discipline and determination, you could find yourself among those who genuinely impact their communities, country, and the globe with their knowledge and skills in a mere couple of years.

Useful Contacts

The organisations listed below can assist you if you have a complaint or if you want more information. You have a right to complain if you are not satisfied with the service/financial product received from an insurance company, a financial advisor/financial service provider.

Follow the following steps in the complaints process:

Step 1:	Step 2:	Step 3:
Contact the relevant company or entity whose conduct you want to complain about and give them the opportunity to respond.	If you are not happy with their response you may refer your complaint to the relevant Ombudsman.	If you are still not satisfied with their response, you may contact the FSCA.

FINANCIAL SECTOR CONDUCT AUTHORITY (FSCA)

To check if an FSP or financial advisor is authorised to sell you financial products and services, as well as which products and services as well as which products they can sell you contact the FSCA. You can also report forex and other investment related scams to the FSCA.

Call centre	0800 20 3722 (FSCA)
Telephone	012 428 8000
Fax	012 346 5616
Email	enquiries@fsca.co.za or complaints@fsca.co.za
Postal address	P.O. Box 35655, Menlo Park, 0102
Physical address	Riverwalk Office Park, Block B, 41 Matroosberg Road (Corner Garsfontein and Matroosberg Roads), Ashlea Gardens, Extension 6, Menlo Park, Pretoria, 0081
Website	www.fsca.co.za

For more consumer **financial education** information or to request a free workshop, contact the **FSCA's Consumer Education Department.**

Email	ced.consumer@fsca.co.za
Website	www.fscamymoney.co.za

OFFICE OF THE PENSION FUNDS ADJUDICATOR (OPFA)

The PFA resolves complaints in order to uphold the integrity of the pension fund industry and to protect the interest of pension fund members. If you are unable to resolve problems related to your pension, provident, preservation or retirement fund with your employer, you can lodge a complaint with the OPFA.

Sharecall	086 066 2837
Telephone	012 748 4000 / 012 346 1738
Fax	086 693 7472
Email	enquiries@pfa.org.za
Postal address	P. O. Box 580, Menlyn, 0063
Physical address	4th Floor, Riverwalk Office Park, Block A, 41 Matroosberg Road
	Ashlea Gardens, Pretoria, 0081
Website	www.pfa.org.za

OMBUD FOR FINANCIAL SERVICE PROVIDERS (FAIS OMBUD)

The FAIS Ombud promotes consumer protection and aims to enhance the integrity of the financial services industry through resolving complaints impartially, expeditiously and economically. If you have a complaint about your financial advisor or financial services provider, contact the FAIS Ombud.

Call centre	086 066 3274
Telephone	012 762 5000
Fax	012 348 3447
Email	info@faisombud.co.za
Postal address	P.O. Box 74751, Lynwood Ridge, 0040
Physical address	Menlyn Central Office Building, 125 Dallas Avenue, Waterkloof Glen,
	Pretoria, 0010
Website	www.faisombud.co.za

CREDIT OMBUD

The Credit Ombud resolves complaints from consumers and businesses that are negatively affected by credit bureau information or when a consumer has a dispute with a credit provider. For information on the credit industry or to lodge a complaint against credit bureaux or creditor providers, you can contact the Credit Ombud.

Call centre	0861 662 837 or SMS ‘Help’ to 44786
Fax	086 674 7414
Email	ombud@creditombud.org.za
Postal address	P.O. Box 805, Pinegowrie, 2123
Physical address	Fernridge Office Park, 5 Hunter Street, Ferndale, Randburg, Johannesburg, 2194
Website	www.creditombud.org.za

OMBUDSMAN FOR BANKING SERVICES SOUTH AFRICA (OBS)

The OBSSA resolves individual complaints about banking services and products. If you are unhappy with the service you receive from your bank or the resolution of a complaint by your bank, you can contact the office of the OBS.

Call centre	0860 800 900 /WhatsApp 066 473 0157
Telephone (switchboard)	011 712 1800
Email	info@obssa.co.za / workshops@obssa.co.za
Postal address	P.O. Box 87056, Houghton, Johannesburg, 2041
Physical address	34 & 36 Fricker Road, Ground Floor, Illovo, 2041
Website	www.obssa.co.za

OMBUDSMAN FOR LONG-TERM INSURANCE

The Ombud resolves disputes between complainants and insurers arising from long-term insurance policies. If you have complaints related to life cover, funeral policies and other long-term insurance matters you can contact the Ombudsman.

Sharecall	0860 103 236
Telephone (switchboard)	021 657 5000
Fax	021 674 0951
Email	info@ombud.co.za
Postal address	Private Bag X45, Claremont 7735
Physical address	Third Floor, Sunclare Building, 21 Dreyer Street, Claremont, Cape Town, 7700
Website	www.ombud.co.za

OMBUDSMAN FOR SHORT-TERM INSURANCE (OSTI)

OSTI provides consumers with a free dispute resolution mechanism. If you have a dispute with members of the short-term insurance industry you can contact the OSTI.

Call centre	0860 726 890
Telephone (switchboard)	011 726 8900
Fax	011 726 5501
Email	info@osti.co.za
Postal address	P.O. Box 32334, Braamfontein, 2017
Physical address	1 Sturdee Avenue, 1st Floor, Block A, Rosebank, Johannesburg, 2196
Website	www.osti.co.za

MOTOR INDUSTRY OMBUDSMAN OF SOUTH AFRICA (MIOSA)

This is an independent institution that focuses on the resolution of disputes where a deadlock has been reached between the motor industry and their customers. While the service is free, should it prove necessary that a technical inspection has to be carried out, the costs incurred during such an inspection will be paid by the complainant.

Telephone	010 590 8378/ 066 373 8986
Fax	086 630 6141
Email	info@miosa.co.za
Postal address	Suite 156, Private Bag X025, Lynnwood Ridge, 0040
Physical address	Meiring Naude Road, Scientia 627-Jr, Pretoria, 0184
Website	www.miosa.co.za

CONSUMER GOODS AND SERVICES OMBUDSMAN (CGSO)

This office was established to guide the consumer goods and services industry on expected minimum standards of conduct and resolve disputes between consumers and suppliers. If you have unresolved complaint against a supplier, contact the CGSO.

Sharecall	0860 000 272
Telephone	011 781 2607
WhatsApp	081 335 3005
Fax	086 206 1999
Email	info@cgso.org.za
Postal address	P.O. Box 3815, Randburg, 2125
Physical address	292 Surrey Avenue, Ferndale, Randburg, Johannesburg
Website	www.cgso.org.za

TAX OMBUDSMAN

If you are unable to resolve a service, procedural or administrative complaint through the usual complaint's management channels of SARS, you can contact the Tax Ombud.

Toll-free	0800 662 837
Telephone	012 431 9105
Fax	012 452 5013
Email	complaints@taxombud.gov.za
Postal address	P.O BOX 12314, Hatfield, 0028
Physical address	Menlyn Corner, 2nd Floor, 87 Frikkie De Beer Street, Menlyn, Pretoria, 0181
Website	www.taxombud.gov.za

SOUTH AFRICAN INSTITUTE OF STOCKBROKERS (SAIS)

SAIS is the professional body for stockbrokers and other financial markets professionals in South Africa and sets and maintains the qualification standards for financial markets professionals. If you want to make sure a stockbroker has passed the SAIS exams, you can give the institute a call or email them with your query.

Telephone (switchboard)	011 853 8702
Email	sais@sais.co.za
Physical address	51 West Street, Houghton Estate, Johannesburg
Postal address	Postnet Suite 86, Private Bag 10020, Edenvale, 1610
Website	www.sais.co.za

THE SOUTH AFRICAN RESERVE BANK (SARB)/PRUDENTIAL AUTHORITY (PA)

The SARB protects the value of the South African rand and works to enhance and protect financial stability. The bank has established an independent external hotline service that enables whistle-blowers to report wrongdoing related to the business of the SARB and guarantees employees and members of the public their anonymity if they so choose. If you want to report a commercial crime or unethical behaviour, you can contact the SARB.

Call centre	0861 12 7272 (SARB) 0800 384 425 (Reporting of commercial crimes or unethical behaviour)
Telephone	012 313 3911 (PA)
Fax	012 313 3197/3929
Email	SARB-PA@resbank.co.za PA-Info@resbank.co.za sarbfnsdept@resbank.co.za (reporting of cross-border fraud and scams)
Physical address	370 Helen Joseph Street, Pretoria, 0002
Postal address	P.O. Box 427, Pretoria, 0001
Website	www.resbank.co.za

THE FINANCIAL INTELLIGENCE CENTRE (FIC)

If you suspect money-laundering activities, contact the Compliance and Prevention Contact Centre at the FIC.

Telephone	012 641 6000
Fraud hotline	0800 203 558
Fax	012 641 6215
Email	TFSsupport@fic.gov.za
Physical address	Doornkloof 391-Jr, Centurion, 0157
Postal address	Private Bag X177, Centurion, 0046
Website	www.fic.gov.za

GOVERNMENT EMPLOYEES PENSION FUND (GEPF)

The GEPF manages and administers pensions and other benefits for government employees in South Africa. If you have any complaints regarding your pension and you work for the South African government, contact the GEPF.

Telephone	0800 117 669
Fraud helpline	0800 203 900
Fax	012 326 2507
Email	Enquiries@gepf.co.za
Physical address	34 Hamilton Street, Arcadia, 0083
Postal address	Private Bag X63, Pretoria, 0001
Website	www.gepf.co.za

NATIONAL CREDIT REGULATOR (NCR)

The NCR aims to support the social and economic advancement of South Africa by regulating for a fair and non-discriminatory marketplace where consumers can access credit, and promoting responsible credit granting and credit use, and effective redress. If you need information or have a complaint against credit providers, credit bureaux and/or debt counsellors, you can contact the NCR.

Call centre	0860 627 627
Telephone	011 554 2700
Email	info@ncr.org.za / complaints@ncr.org.za /workshops@ncr.org.za
	Debt counselling related complaints: dccomplaints@ncr.org.za
Postal address	P.O. Box 209, Halfway House, 1685
Physical address	127-15th Road, Randjespark, Midrand, 1683
Website	www.ncr.org.za

NATIONAL STOKVEL ASSOCIATION OF SOUTH AFRICA (NASASA)

NASASA registers and monitors stokvels across South Africa. It offers educational and information services to members. To check if a stokvel is registered, contact NASASA.

Telephone	087 898 0987
Email	info@nasasa.co.za
Physical address	Kildrummy Office Park, Building 8 Glenfiddich, Witkoppen Road & Umhlanga Avenue, Paulshof, Sandton, 2191
Website	www.nasasa.co.za

THE FINANCIAL INTERMEDIARIES ASSOCIATION OF SOUTHERN AFRICA (FIA)

The FIA represents approximately 2 000 financial services providers, including multinational, large, medium and small businesses. Their members operate in healthcare, long-term insurance, short-term insurance, employee benefits and investments.

Telephone (switchboard)	012 665 0085
Email	questions@fia.org.za
Physical address	Corporate Corner, Unit 9, Corner Marco Polo Street and John Vorster Drive, Centurion
Postal address	P.O. Box 11901, Centurion, 0046
Website	www.fia.org.za

NATIONAL CONSUMER COMMISSION (NCC)

The NCC regulates the interaction between consumers and businesses in South Africa and wants to ensure the economic welfare of consumers. If your consumer rights in the purchasing of goods and services were not respected by suppliers as per the Consumer Protection Act (CPA), you can contact the NCC.

Telephone (switchboard)	012 428 7000
Fax	086 758 4990
Email	Enquiries@thencc.org.za complaints@thencc.org.za If you have complaints about specific sectors, you can use these email addresses: Timeshares: timeshareinquiry@thencc.org.za Legal Advisory: advisory@thencc.org.za
Postal address	P.O. Box 36628, Menlo Park 0102
Physical address	Building C – South African Bureau of Standards Campus, 1 Dr Lategan Rd, Groenkloof, Pretoria, 0027
Website	www.thencc.gov.za

COUNCIL FOR MEDICAL SCHEMES (CMS)

The CMS provides regulatory supervision of private health financing through medical plans. For complaints about medical schemes' services and products contact the CMS.

Telephone	0861 123 267 / 012 431 0500
Fax	086 673 2466
Email	information@medicalschemes.co.za / complaints@medicalschemes.com
Postal address	Private Bag X34, Hatfield, 0028
Physical address	Block A, Eco Glades 2 Office Park, 420 Witch – Hazel Avenue, Centurion, 0157
Website	www.medicalschemes.com

SOUTH AFRICAN INSURANCE ASSOCIATION (SAIA)

SAIA represents the interests of the non-life insurance industry, encourages fair and ethical treatment of customers of non-life insurance products and fights insurance crime, especially insurance fraud. If you want to verify if an insurance company is legitimate or if you want to learn more about non-life insurance, you can contact SAIA.

Telephone (switchboard)	011 726 5381
Fax	086 758 4990
Email	info@saia.co.za
Postal address	P.O. Box 5098, Weltevredenpark, Johannesburg 1715
Physical address	Ground floor ,Willowbrook House, Constantia Office Park, C/O 14th Avenue &, Hendrik Potgieter Rd, Weltevredenpark, Johannesburg, 1715
Website	www.saia.co.za

SOUTH AFRICAN REVENUE SERVICE (SARS)

SARS is South Africa's tax collecting authority and administers the South African tax system and customs service. If you have a query or a question regarding your tax, you can contact SARS.

Contact centre	0800 00 7277
Telephone (switchboard)	012 422 4000
Fax	012 452-9685
Email	contactus@sars.gov.za
Postal address	Private Bag X923, Pretoria 0001
Physical address	Lehae La SARS Building, 299 Bronkhorst Street, Nieuw Muckleneuk, Pretoria, 0181
Website	www.sars.gov.za

SOUTH AFRICAN SAVINGS INSTITUTE (SASI)

The purpose of SASI is to develop a robust culture of saving in South Africa. If you want to learn more about saving, contact SASI.

Telephone (switchboard)	011 269 3683
Fax	086 552 7561
Email	info@savingsinstitute.co.za
Physical address	19 Fredman Drive, Esterhysen House, Sandton 2196
Postal address	PO Box 252, Bramley, 2018
Website	www.savingsinstitute.co.za

THE ASSOCIATION FOR SAVINGS AND INVESTMENT SOUTH AFRICA (ASISA)

ASISA represents the savings, investment and insurance industry that contributes trillions of Rands to South Africa's economy and promotes a culture of savings and investment. If you want to learn more about saving, investing and insurance, contact ASISA.

Telephone (switchboard)	021 673 1620
Email	info@asisafoundation.org.za
Physical address	3rd Floor, Sandton Close 2 – Block A, Norwich Close, Sandton, 2196
Postal address	P.O. Box 23525, Claremont, 7735
Website	www.asisa.org.za

COUNCIL FOR DEBT COLLECTORS (CFDC)

The Council for Debt Collectors ensures the fair recovery of debts and makes provision for the regulation and control of fees charged by debt collectors. If you have a complaint against a debt collector, debt counsellor or credit provider contact the CFDC.

Telephone (switchboard)	012 804 9808
Email	info@cfdc.org.za
Physical address	310 Brooks Street, Menlo Park, Pretoria, 0081
Postal address	PO Box 35629, Menlo Park, 0102
Website	www.cfdc.org.za

RSA RETAIL SAVINGS BONDS

RSA Retail Savings Bonds have been designed to be as accessible as possible for the general public to invest their money, while earning secured and market related returns on their investments. This is an investment with the Government of South Africa which earns fixed or inflation linked interest for the term of the investment. Contact them for alternative savings options.

Telephone (switchboard)	012 315 5888
Fax	012 315 5675 or 012 315 5314
Email	queries@rsaretailbonds.gov.za complaints@rsaretailbonds.gov.za
Physical address	240 Madiba Street, Cnr Thabo Sehume and Madiba Street, Pretoria, 0002
Website	www.rsaretailbonds.gov.za

SMALL ENTERPRISE FINANCIAL AGENCY (SEFA)

SEFA provides financial products and services to qualifying SMMEs. Contact them for more information on funding your business.

Telephone (switchboard)	012 748 9600 (Fraud hotline) 0800 000 663
Email	helpline@sefa.org.za / talktous@sefa.org.za
Physical address	Byls Bridge Office Park, Cnr Olievenhoutbosch Street & Jean Avenue, Building 14, Block D,11 Byls Bridge Boulevard, Highveld Extension 73, Centurion, 0157
Website	www.sefa.org.za

DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION (DTCI)

The DTI is the primary agency in the promotion and development of MSMEs through the provision of various assistance and interventions, e.g., financing, marketing and promotion, human resource development, product development, and advocacy.

Telephone (switchboard)	0861 843 384
Email	contactus@thedti.gov.za
Physical address	77 Meintjies Street, Block A, 3rd floor, Sunnyside, Pretoria, 0002
Postal address	Private Bag X84, Pretoria, 0001
Website	www.thedti.gov.za

COMPANIES AND INTELLECTUAL PROPERTY COMMISSION (CIPC)

The CIPC's main function is the registration of companies, co-operatives, and intellectual Property Rights (trade-marks, patents, designs and copyright) and the maintenance thereof. For a list of their other services or to register your business, contact the CIPC.

Telephone (switchboard)	086 100 2472
Email	eservicescoreg@cipc.co.za / companydocs@cipc.co.za
Physical address	Pretoria Service Centre, Sancardia Mall, 1st floor, 541 Madiba Street, Arcadia, 0001
Postal address	Companies: PO Box 429, Pretoria, 0001 Intellectual Property: Private Bag X400, Pretoria, 0001 Co-operatives: Private Bag X237, Pretoria, 0001
Website	www.cipc.co.za / www.biz-portal.co.za

THE NATIONAL STUDENT FINANCIAL AID SCHEME (NSFAS)

NSFAS provides financial aid to students from poor and working-class families in a sustainable manner that promotes access to and success in higher and further education and training in pursuit of South Africa's national and human resource development goals.

Telephone (switchboard)	0800 067 327
Email	info@nsfas.org.za
Website	www.nsfas.org.za

SMALL ENTERPRISE DEVELOPMENT AGENCY (SEDA)

SEDA's mission is to promote entrepreneurship and develop small enterprises by providing customised non-financial business support services that result in business growth and sustainability in collaboration with other role players. Contact SEDA to get guidance on how to start your business.

Telephone (switchboard)	011 408 6520/6528
Fax	011 408 6515
Email	infogp@seda.org.za
Physical address	2nd Floor, Forum 5 Braam Park, 33 Hoof Street, Bramfontein
Website	www.seda.org.za

For a list of references kindly email CED.Consumer@fsca.co.za

Financial literacy for all

Free resources available to the public

As South Africans we know that financial literacy is important, and research indicates that there is a lack of understanding of financial products, financial terms and how the world of money works.

In order to build on these missing foundational information blocks, the FSCA has produced a number of consumer financial education (CFE) resources, with a focus on simplicity. This information is intented to empower consumers to make better informed decisions around finances which leads to living a financially well life - and it's distributed at no cost.

Resources
- Consumer Insurance Tips
- Pyramid Schemes - Will your investment take you to the top?
- Unclaimed Benefits
- Unlicensed Tracers
- Your Last Will and Testament
- Savvy Savers Budget Booklet
- Life Insurance
- Non-life Insurance
- Shares
- Collective Investment Schemes
- Retirement Funds
- FSCA Investor Guide
- Smart Money Guide for Tomorrow's leaders

Currently in development:
- Funeral Insurance
- Credit Insurance
- Medical Aid versus Medical Insurance
- Credit Ratings

Most of the resources above, are available in the official South African languages and will be available on-line later in the year.

For your copy, email info@CED.Consumer.co.za or visit www.fscamymoney.co.za and click on the Resources tab.

In addition to resource development the FSCA is committed to providing financial customers and potential financial customers with financial education programs, and otherwise promoting financial literacy in order for financial customers to make sound financial decisions. To find out how to get involved for for general enquiries/requests for presentations, kindly email the HOD of Consumer Education,
Lyndwill.Clarke@fsca.co.za or Enquiries@fsca.co.za

In 2019, the FSCA developed its MyMoney Learning Series, a facilitated financial literacy program used to disseminate CFE information in a creative and entertaining way with a peer to peer learning approach. The FSCA's MyMoney Learning Series also caters for the blind, partially sighted, deaf and hard of hearing. If you would like permission to use this material or to find out more, email Alicia.Moses@fsca.co.za

Notes

Notes

DISCLAIMER

The information contained in this information guide has been provided by the Financial Sector Conduct Authority (FSCA) for information purposes only. This information does not constitute legal, professional, or financial advice. While every care has been taken to ensure that the content is useful and accurate, the FSCA give no guarantees, undertakings or warranties in this regard and does not accept any legal liability or responsibility for the content or the accuracy of the information so provided, or, for any loss or damage caused arising directly or indirectly in connection with reliance on the use of such information. Except where otherwise stated, the copyright of all the information is owned by the FSCA. No part of this information guide may be reproduced or transmitted or reused or made available in any manner or any media unless the prior written consent has been obtained from the Financial Sector Conduct Authority's Office of General Counsel.

FSCA

Financial Sector
Conduct Authority