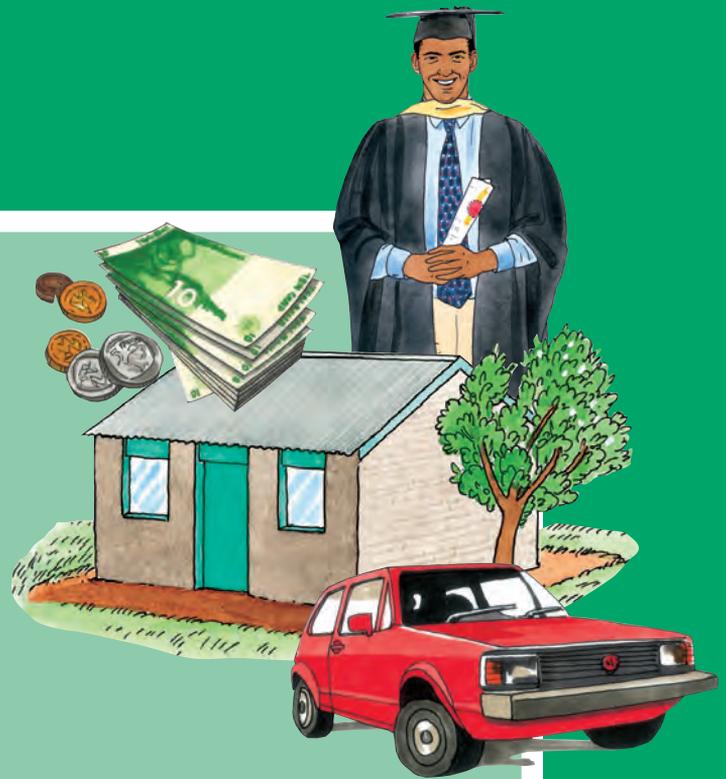


SOUL CITY+

INSTITUTE

HEALTH & DEVELOPMENT
COMMUNICATION



How to save for your dreams



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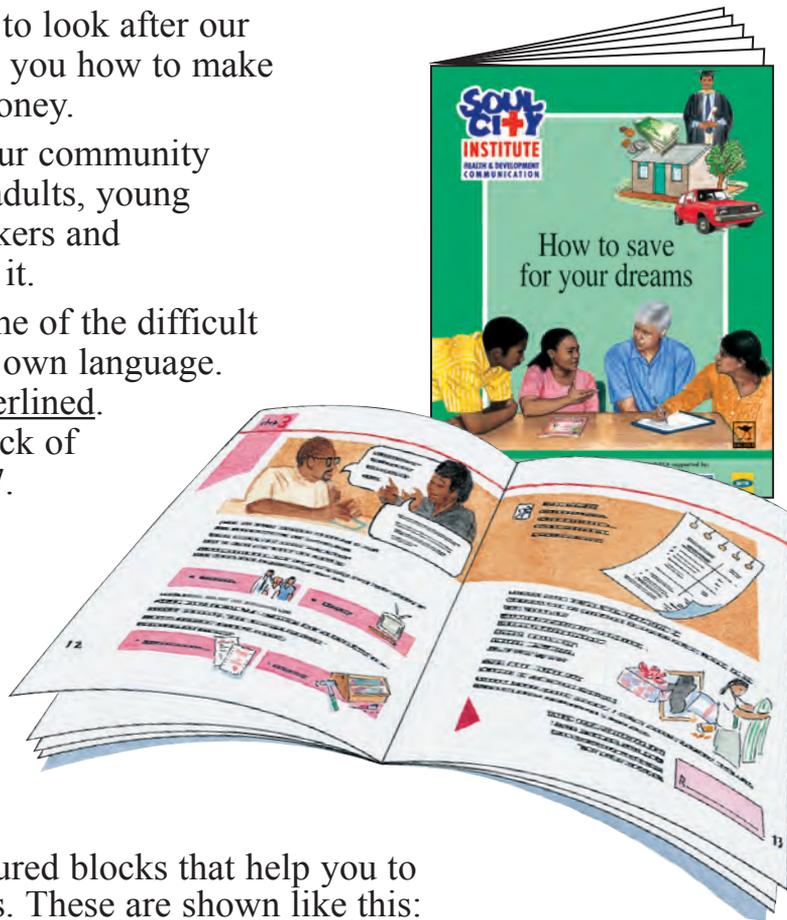


How to use this book

All of us need to know how to look after our money. This book will show you how to make a budget and how to save money.

The book can be used by your community and in your home. Parents, adults, young people, teachers, health workers and community workers can use it.

You may not understand some of the difficult words if English is not your own language. These words have been underlined. They are explained at the back of the book on pages 36 and 37.



In this book there are coloured blocks that help you to remember important things. These are shown like this:



Your money is safe in a bank, in the post office or with an insurance company. Even if these places are robbed, you will still get your money back.

Sometimes there are other special things to think about. These are shown in coloured blocks like this:

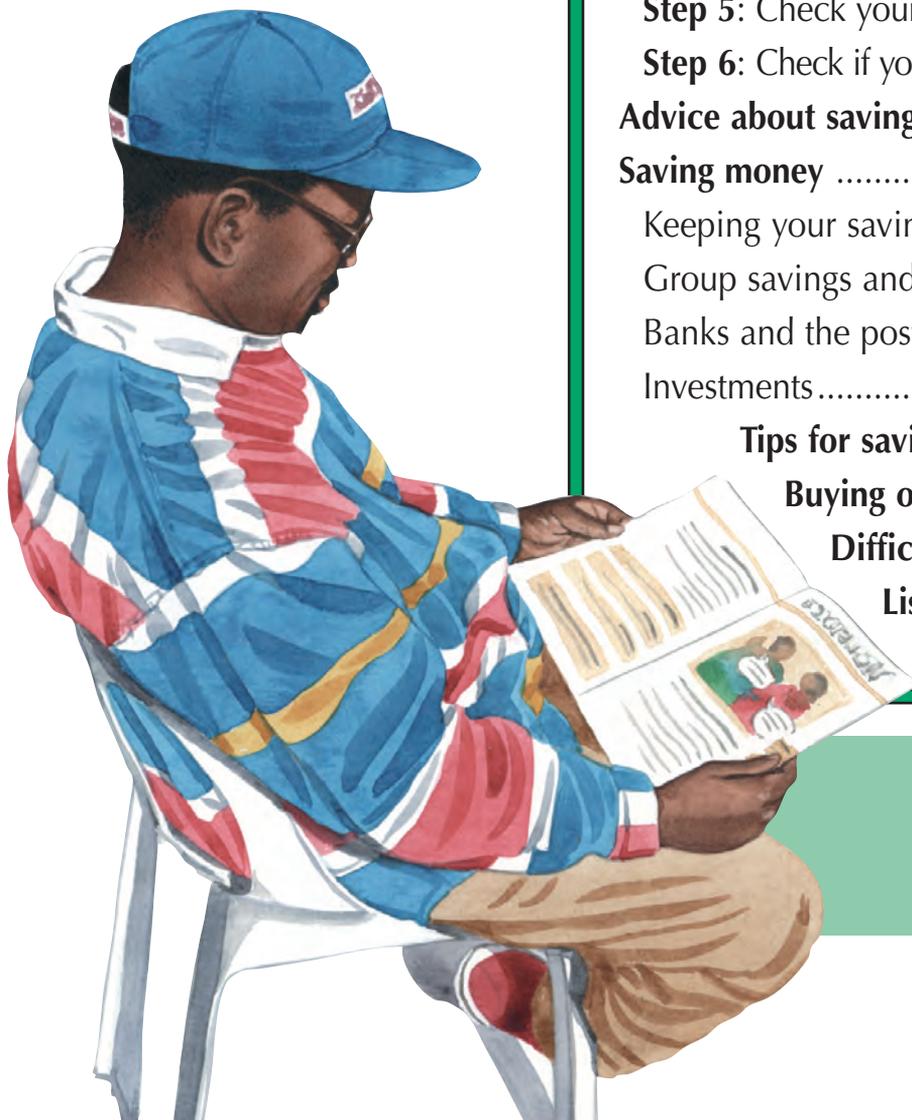
When you save money in a bank, in a post office or with an insurance company, it can grow bigger because interest is added – read page 32.



In this book there are examples of the way Thandi and Ali from Soul City work out their budget. This picture is next to each example.

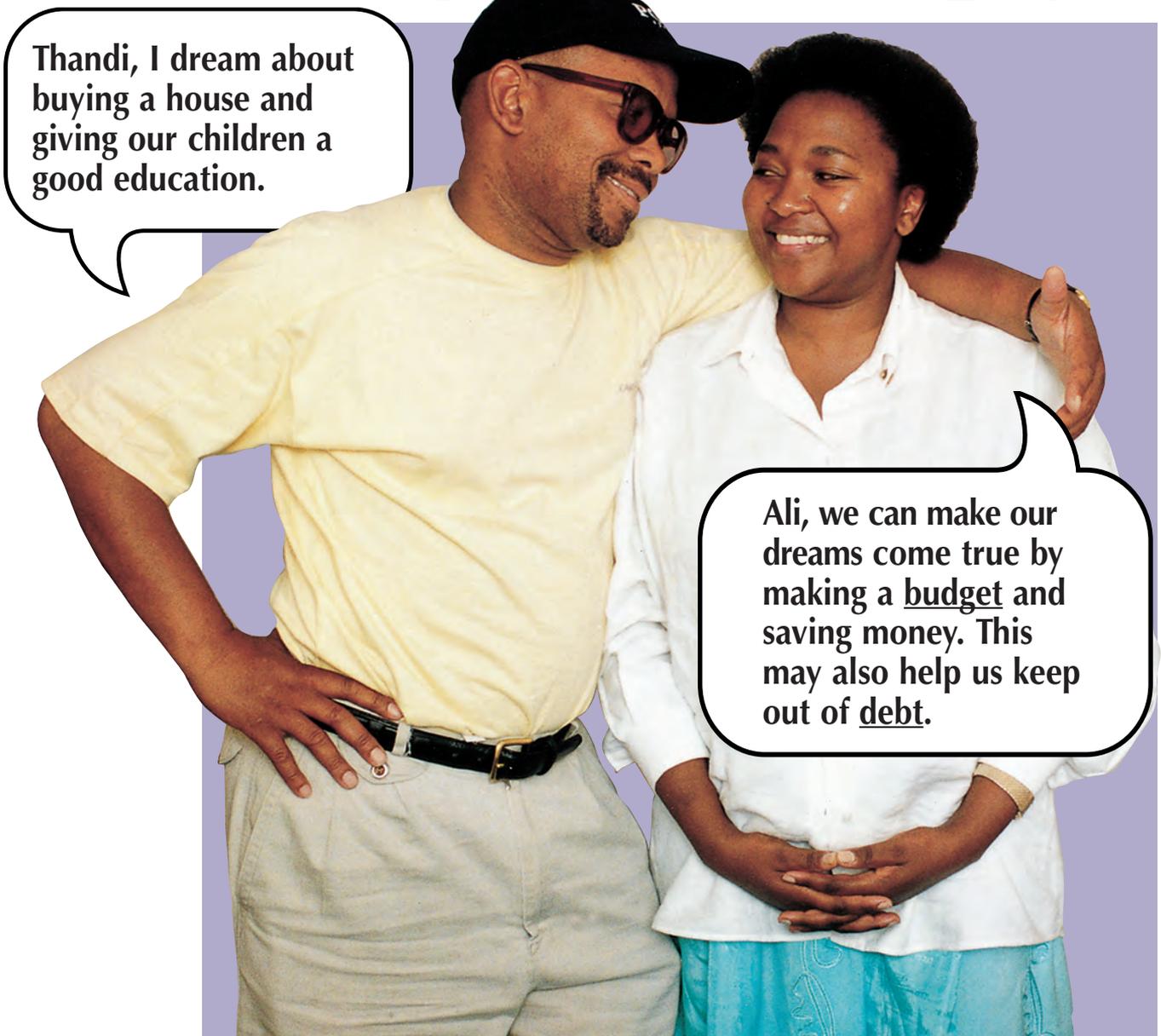
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It is best to hold this book open as the picture shows. Do not fold it backwards. Often you need to look at both pages together.

A budget can help you



Why do you need to make a budget?

You may waste your money if you do not plan how to spend it. The way you plan how to spend your money is called a budget.

A good budget can help you in many ways:

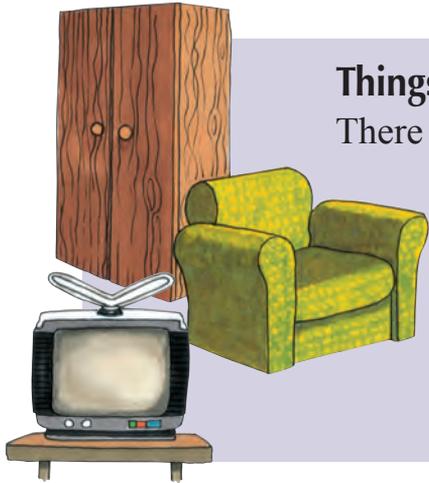
- You will know what you can afford to buy.
- You can plan carefully so that your money will last until the end of the month.
- You can work out how much money you can save.

save money

There are things you need to buy and things you want to buy.

Things you need to buy

Things we **need** to buy are things we cannot live without. For example, we all need food and a place to live. We need money to go to hospital if we are sick. We need money to send our children to school. A budget will help us to make sure we have enough money to pay for the things we **need**.



Things you want to buy

There are also things that we **want**. We can live without these things, but they make our lives more comfortable. For example, some people want new furniture. Other people want a hi-fi or TV.

As long as we can pay for all the things we **need**, we can start to buy or save for the things we **want**.

A budget will help you buy the things you **need**, and save for the things you **want**.

How do I make a budget?

- You can use this book to help you make a budget for yourself or your family.
- Complete the six steps on pages 8 to 19. These will help you make your own budget.

Remember!

Read the whole book before you start to make your own budget.

Understanding savings



Why do we need to save money?

People who budget carefully and save money can have better lives.

Saving can help pay for the things you need:

- money for food and a place to live
- money for education
- money for hospital bills or medicine
- money for funerals

Saving can also help pay for the things you want:

- a new hair-style, or new clothes
- new furniture
- a new room for the house

When you save money in a bank, in a post office or with an insurance company, it can grow bigger because interest is added – read page 32.

There are three kinds of Savings

- Short-term Savings
- Medium-term Savings
- Long-term Savings

Short-term Savings



Short-term Savings are for things that you will need to pay for soon (during the next year). Short-term Savings pay for things like:



- school fees
- doctors' bills



- repairs to your house



- TV licence
- a new hair-style

You can read more about Short-term Savings on pages 12 and 13. They are called Other Expenses.

Medium-term Savings



Medium-term Savings are for things you plan to buy in 1 - 5 years time. They pay for things like:



- a new heater or bed



- a new fridge or stove

You can read more about Medium-term Savings on page 14.

Long-term Savings



These are savings for things that you will need in more than five years time. Long-term Savings pay for things like:

- your retirement



- a good education for your children



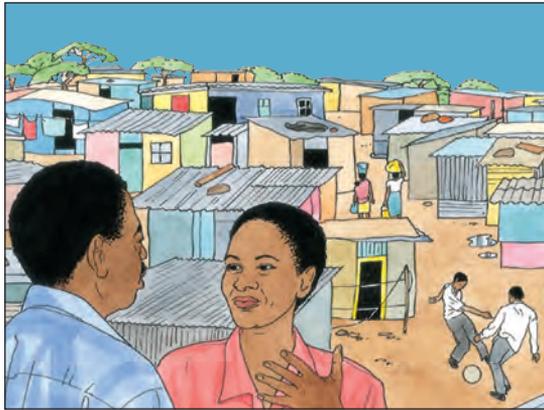
The sooner you start saving for your long-term needs, the more money you will earn through interest.

You can read more about Long-term Savings on page 15.

Saving can help everyone

South Africa has many poor people. But there are many examples of poor people who have saved money for their dreams. One example is the Homeless People's Federation of South Africa.

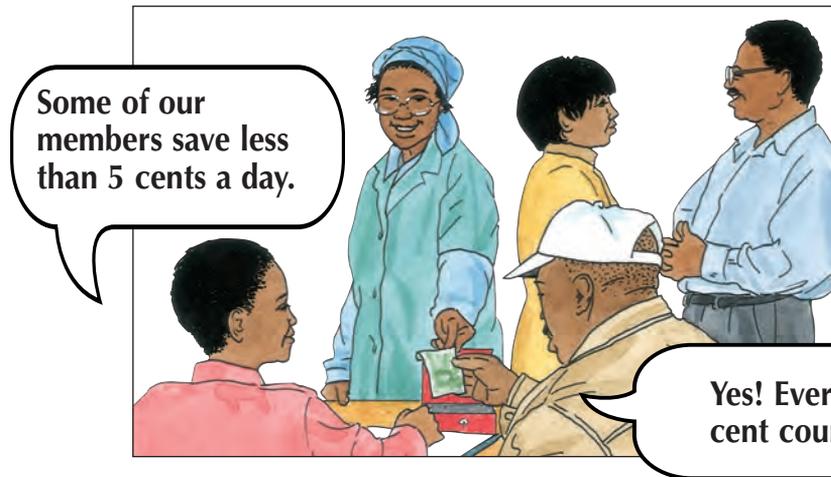
Here is a story from one of their savings clubs:



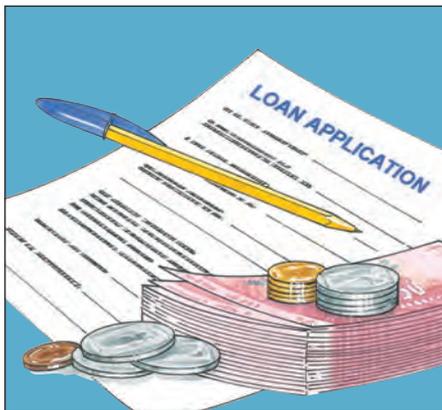
In the Free State Province near Bothaville, there is a small community called Khutsong.



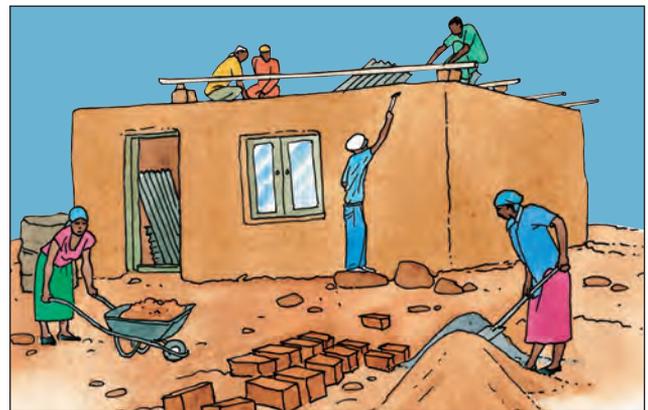
The Homeless People's Federation of South Africa has run a savings club there since 1992.



The club has 108 members. Eighty members of the Khutsong Savings Club are pensioners who earn under R500 per month. Since August 1992 the club members have been saving every day.



With these savings the club took a loan from the Homeless People's Federation to build houses for themselves.



The club has now built 85 houses for their members. This story shows that no matter how poor you are, you can save for your dreams.

Plan your budget

How do I make a budget?

It is important to plan your budget. These six steps will help you do this:

1 Work out your Take-home Income.
Read pages 8 and 9.

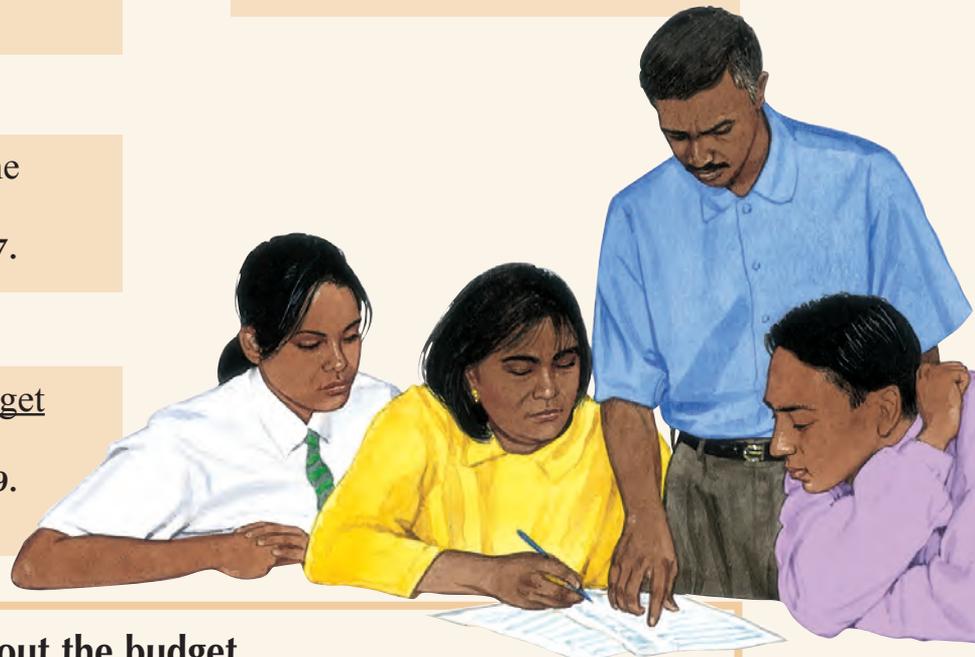
2 Work out your Monthly Expenses.
Read pages 10 and 11.

3 Work out your Other Expenses and plan your Short-term Savings.
Read pages 12 and 13.

4 Plan your Medium-term and Long-term Savings.
Read pages 14 and 15.

5 Check your income and expenses.
Read pages 16 and 17.

6 Check if your budget works for you.
Read pages 18 and 19.



Talk to your family about the budget

- It is very important for everyone in the family to talk about money. Then they will know how much money there is, and how much money they can each spend.
- Your family should talk about who is going to be part of the budget.
- When you plan your budget with your family, your children will learn how to save and be responsible with money. These are important skills.
- It is not difficult to make a budget, but the numbers must be right. If you find this hard to work out, ask someone to help you.

Work out your Take-

What is Take-home Income?

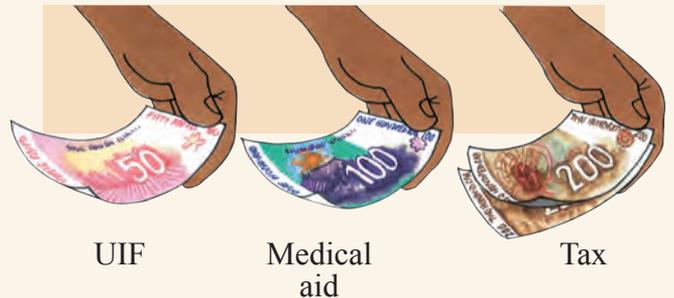
Take-home Income is the money the people in your family take home every month.

- Some people work for a company or another person. These people are called employees.
- Some people work for themselves. They are self-employed.

Remember that what you earn is not always what you take home.

What happens if I am an employee?

- If you are an employee, you will earn a monthly salary or a weekly wage.
- Money for UIF (unemployment insurance), medical aid, tax or pension will be taken off your salary by your employer. This money is called deductions. The money that is left is your Take-home Income.



UIF

Medical aid

Tax

Here is an example:



Ali is a porter at a clinic. He earns a monthly salary. Ali's monthly salary is R2 000.

Ali's monthly deductions are R380. Ali takes home R1 620. His salary slip has this information on it:

| SALARY SLIP | | March 1999 | |
|-----------------|--------|-----------------------------|-----------------|
| | Amount | Deductions | Amount |
| Income | | Tax | R100 |
| Income (salary) | R2 000 | Hospital plan / medical aid | R150 |
| | | Pension | R100 |
| | | UIF | R 30 |
| | | TOTAL | R380 |
| TOTAL | R2 000 | | |
| | | Total | R2 000 |
| | | <u>Deductions</u> | R 380 - |
| | | Take-home Income | = R1 620 |

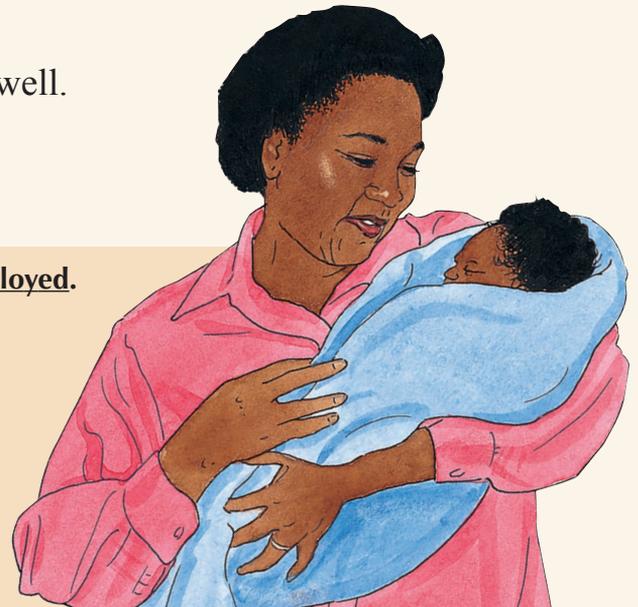
home Income

What happens if I am self-employed?

- If you are self-employed, you are your own boss. Maybe you sell things, or drive a taxi, or look after children.
- Self-employed people also have deductions. You must remember to take off these deductions from the money you earn.
 - You may have to pay rent for your business.
 - You have to pay tax – provisional tax payers do not pay monthly.
 - You may have to pay wages to other people.
 - You may choose to pay into a retirement fund or medical aid fund.
 - You will probably have other payments as well.
- The money that is left after these deductions is your Take-home Income.



Thandi works as a daycare-mother. She is self-employed. Thandi's Take-home Income is R860 every month.



| | |
|---------------------------|---------------|
| Ali's Take-home Income | R1 620 |
| Thandi's Take-home Income | R 860 + |
| Total Take-home Income = | R2 480 |

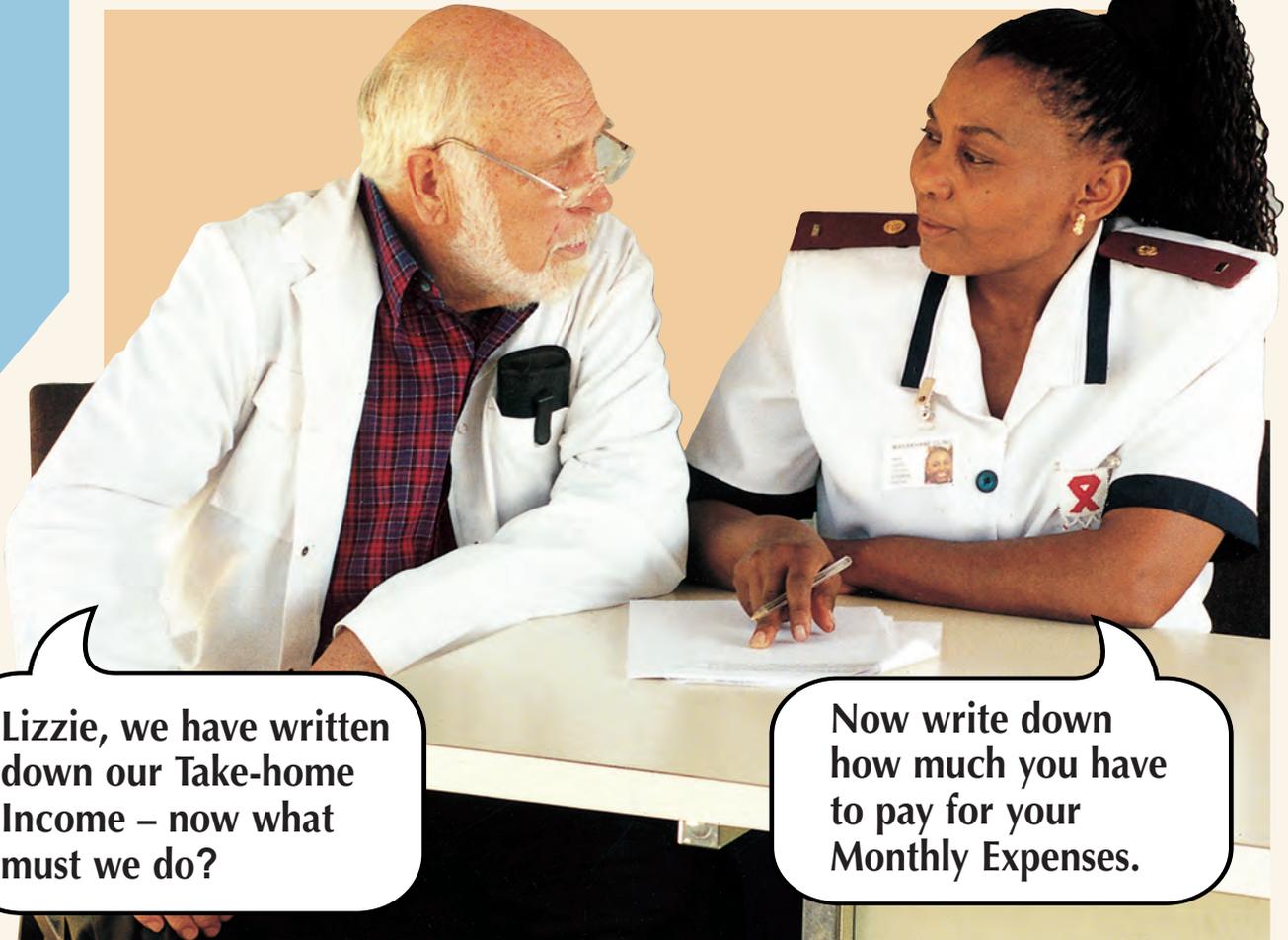
Together, Ali and Thandi have a Take-home Income of **R2 480**.

All the members of the family must write down the money they take home each month. All the money together is your family's Take-home Income.

▶ **Now work out the Take-home Income for your family. Write this in the green box.**
Take-home Income:

R _____

Work out your Monthly



Lizzie, we have written down our Take-home Income – now what must we do?

Now write down how much you have to pay for your Monthly Expenses.

In **Step 1** you wrote down your Take-home Income for each month. Now find out how much you need for expenses each month. These are called your **Monthly Expenses**.

Monthly Expenses are payments for things like:

- rent, or the bond on your house
- electricity and water
- food
- other things you use in the house like polish, soap and toilet paper
- money for taxis, buses or trains (transport money)

Your expenses may change a bit each month, but it is important to know how much you usually spend.



Every family is different. There is no right way or wrong way to spend money, as long as you have enough money to pay for what you need.

Expenses

Write down your Monthly Expenses

- Make a list of all the Monthly Expenses you can think of.
- Do not make this list in a hurry. It is important not to forget anything.
- Only write down expenses that you pay **every month**. Some people have many Monthly Expenses and some have only a few.
- Many people have expenses that are **not paid every month** (like school fees). Do **not** put this kind of expense on this list. It will go on another list called **Other Expenses**. You will read about these later.



This is how Thandi and Ali write down their Monthly Expenses:

| Monthly Expenses | |
|-------------------------|---------------|
| Bond on house | R500 |
| Electricity and water | R150 |
| Transport | R390 |
| Groceries | R500 |
| Clothing account | R320 |
| Entertainment | R 60 |
| Monthly Expenses | R1 920 |

▶ Add up all your Monthly Expenses and write the total in the blue box.
Monthly Expenses:

R _____

Work out your Other



Some months you may have more expenses than other months. We call these **Other Expenses**.

There are two kinds of Other Expenses:

Other Expenses that are planned

- You know when these expenses are going to happen and how much each thing will cost.
- These are expenses like:

■ school fees



■ TV licence



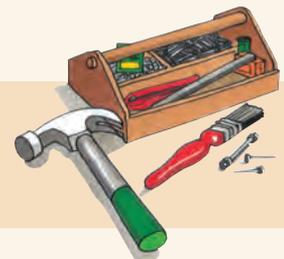
Other Expenses that are unplanned

- Other Expenses that you have not planned for will be a surprise.
- You do not know when they will happen, or how much they will cost.
- These are expenses like:

■ doctors' bills



■ repairs to the house



Expenses



Thandi and Ali know they must save for the Other Expenses to make their budget work.

This is how they write down their Other Expenses. These add up to R520 in a year.

In case there are more unplanned expenses, they decide to be wise and save extra money. They save R100 every month.

| Other Expenses for the year | |
|-----------------------------|-------------|
| Planned | Cost |
| ■ school fees | R100 |
| ■ school uniforms | R100 |
| ■ presents | R100 |
| Unplanned | Cost |
| ■ doctors' bills | R100 |
| ■ broken window | R 20 |
| ■ leaking roof | R100 |
| Total Other Expenses | R520 |
| Savings every month | R100 |

Write down your Other Expenses for the year

- Make a list of all the Other Expenses that you know about (planned expenses).
- Make a list of the Other Expenses that may be a surprise (unplanned expenses).

The best way to pay these expenses is to save some money every month. This is your Short-term Savings.



Short-term Savings

You must decide how much you can save every month to pay your Other Expenses.

You can save money for your Other Expenses in places like a bank or a post office. Read pages 24 and 25 to find places to save these Short-term Savings.



Write down in the red box how much you can save each month for the Other Expenses.

Other Expenses:

R _____

Plan your Medium-

People who plan their budgets carefully and save money can have better lives. Saving money helps you to get the things you want.

Medium-term Savings

Medium-term Savings are things you want to save for in 1 - 5 years.

Medium-term Savings can pay for things like:

- a new double bed – cost R1 200
- a new fridge – cost R2 000
- an extra room on the house – cost R5 000



Read how Ali and Thandi are saving for the future.



| Medium-term Savings | Savings every month |
|----------------------------|---------------------|
| ■ double bed | R50 |
| ■ fridge | R50 |
| ■ extra room on the house | R50 |
| Medium-term Savings | R150 |

Write down a list of things your family would like to buy in 1 - 5 years. Write down how much they will cost. Remember that they will cost more in five years. This increase in cost every year is called inflation.

Then decide how much you can afford to save for Medium-term Savings every month.

Now write down in the orange box how much you can save for your monthly Medium-term Savings.

Medium-term Savings:

R _____

term & Long-term Savings

Long-term Savings

Long-term Savings will pay for the things you want many years from now. Think about the things you want in the long term. This means longer than the next five years.

You may want to save for things like:

- an education policy for your children
- your pension
- a funeral



This is Ali and Thandi's list. Look how they are saving for the future:

| Long-term Savings | Savings every month |
|---------------------------|---------------------|
| ■ <u>education policy</u> | R125 |
| ■ retirement policy | R125 |
| ■ burial society | R110 |
| Long-term Savings | <u>R360</u> |

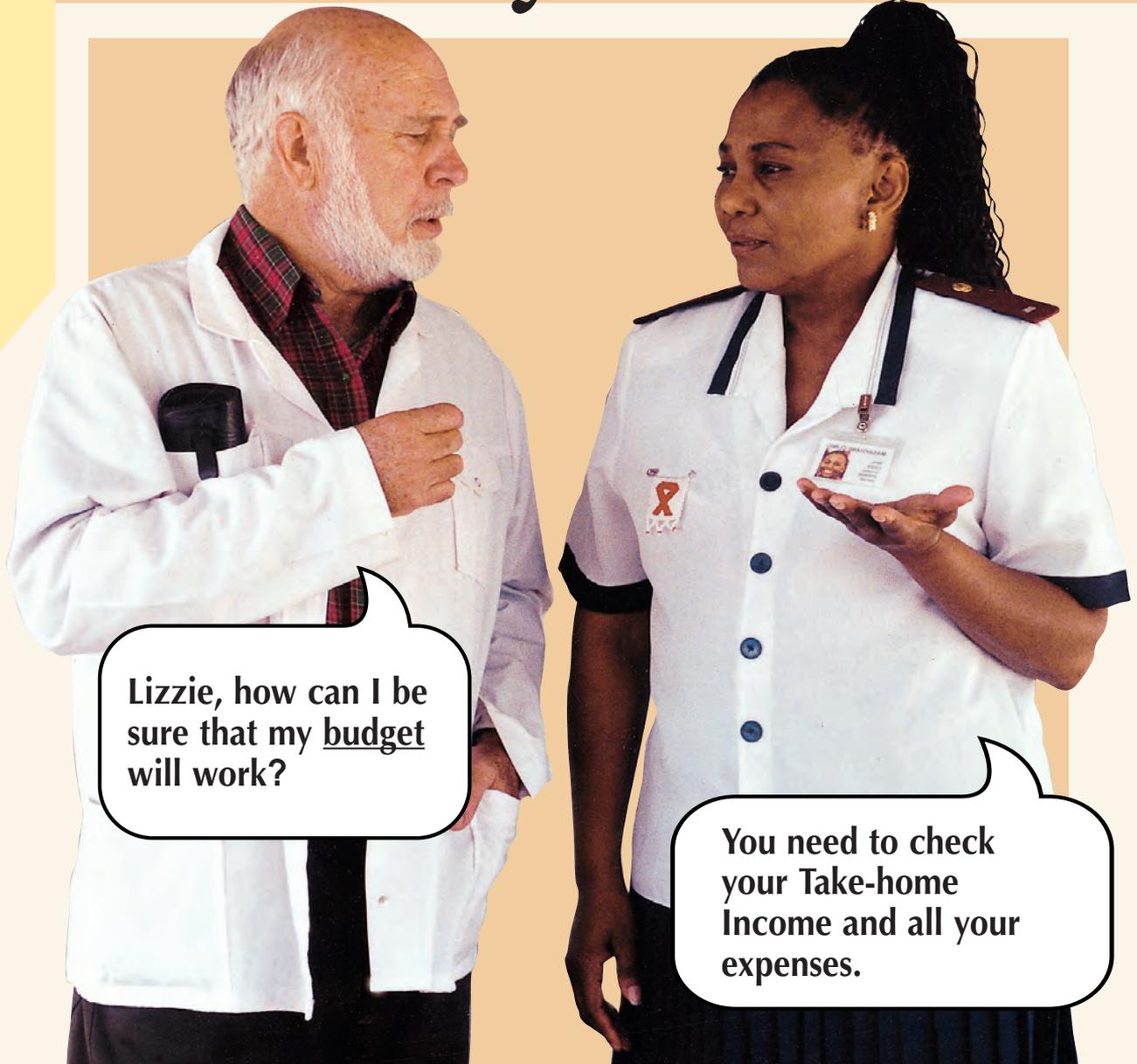
Write down your own list. Then decide how much money you can afford to save for Long-term Savings every month.

Now write down in the purple box how much you can save for your monthly Long-term Savings.

Long-term Savings:

R _____

Check your income



It is important to check that your budget works for you. A good budget helps you do two important things:

- You should have enough money to pay for your Monthly Expenses and for your Other Expenses.
- You should also have enough money to save as Medium-term Savings and Long-term Savings.

and expenses

You can use a form like this one to check your income and expenses.

Write your Take-home Income from the green box on page 9.

Take-home Income:

R _____

Write your Monthly Expenses from the blue box on page 11.

Monthly Expenses:

R _____

+

Write your Other Expenses from the red box on page 13.

Other Expenses (Short-term Savings):

R _____

+

Write your Medium-term Savings from the orange box on page 14.

Medium-term Savings:

R _____

+

Write your Long-term Savings from the purple box on page 15.

Long-term Savings:

R _____

Add up your Monthly Expenses, Other Expenses and Medium-term and Long-term Savings. Write this total in the white box.

Expenses and Savings Total:

R _____

-



take away

Take away your Expenses and Savings Total from your Take-home Income. Write the amount in the yellow box:

R _____



Check if your budget

The amount of money written in the yellow box is very important.

This amount will tell you if your budget is working for you.

Are you sure you have thought of all your expenses?

Have you added and subtracted correctly?

Check your budget very carefully now.



What if your Take-home Income is bigger than your Expenses and Savings Total?

This is good news! Your budget is working.

- It means you can plan to save more.

OR

- It means you can buy something you want with the money you have left over.



What if your Expenses and Savings Total is bigger than your Take-home Income?

This is bad news! Your budget does not work.

- Go back to all your different expenses and savings on pages 10 to 15.
- Plan to spend less money on some of these things. You must reduce your expenses or savings.

works for you



Thandi and Ali worked out that their expenses were more than their Take-home Income. They decided to reduce some of their Monthly Expenses so that they could save for the future. They are going to spend less money on their CLOTHING. Ali and Thandi's new budget below shows this.



| Take-home Income | Amount | Amount |
|---|---------|--------|
| Monthly Expenses | | R2 480 |
| Bond on house | R500 | |
| Electricity and water | R150 | |
| Transport | R390 | |
| Groceries | R500 | |
| Clothing account | R220 | |
| Entertainment | R 60 | |
| Other Expenses (Short-term Savings) e.g. School fees or unexpected doctors' bills | R100 | |
| Medium-term Savings | | |
| Double bed | R 50 | |
| Fridge | R 50 | |
| Extra room on the house | R 50 | |
| Long-term Savings | | |
| <u>Education policy</u> | R125 | |
| Retirement policy | R125 | |
| Burial society | R110 | |
| Expenses and Savings Total | R 2 430 | |

| | |
|--|-------------|
| How to work out how much money is left over: | |
| Take-home Income | R 2 480 |
| Expenses and Savings Total | R 2 430 - |
| The money left over | R 50 |

Thandi and Ali have R50 left over each month.

Advice about savings



Advice about savings

You have Short-term, Medium-term and Long-term Savings in your budget.

This book will give you some ideas of places to save your money and different ways to save.

Get good advice

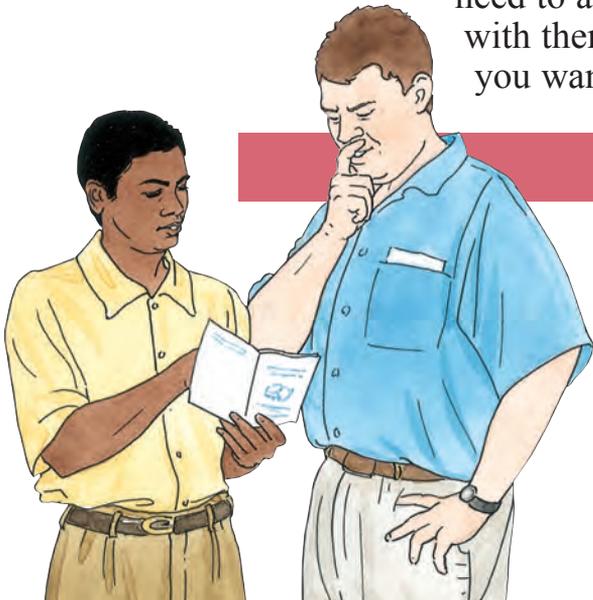
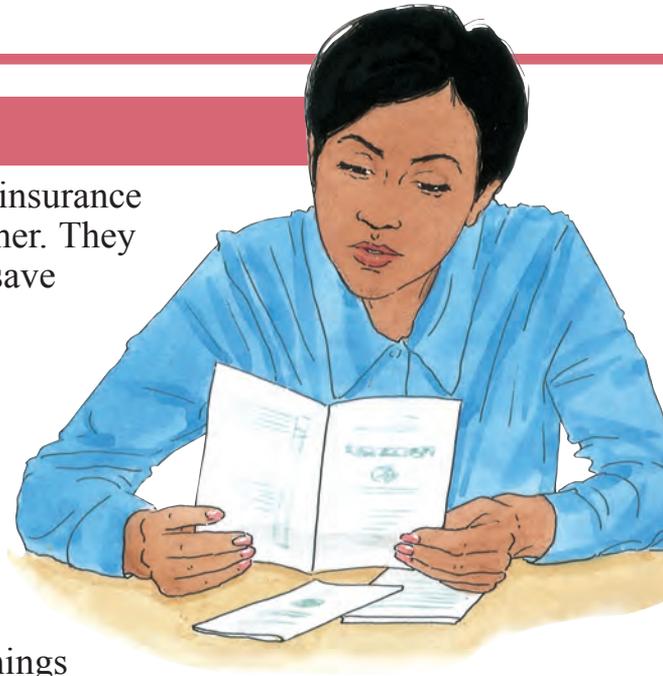
Before you decide where to save your money, you should get good advice:

- Ask people you trust to tell you about different ways of saving.
- Speak to people at the bank, post office, an insurance company or a savings group (read pages 23 to 29). At a bank and a post office you ask for customer services.

- Find out what services each place offers.
- Find out what rules there are.
- Find out if you can take out your money in an emergency and what this will cost.
- Ask them to help you choose the right place to save.

Remember your rights

- When you talk to the people at the bank or insurance company, remember that you are the customer. They must treat you with respect, or you should save your money somewhere else.
- You have the right to ask them questions. If you do not understand something, ask them to explain it to you.
- You have the right to know everything about your accounts and savings.
- Plan what you need to say, or what you need to ask, before you meet with them. Write a list of the things you want to talk about.



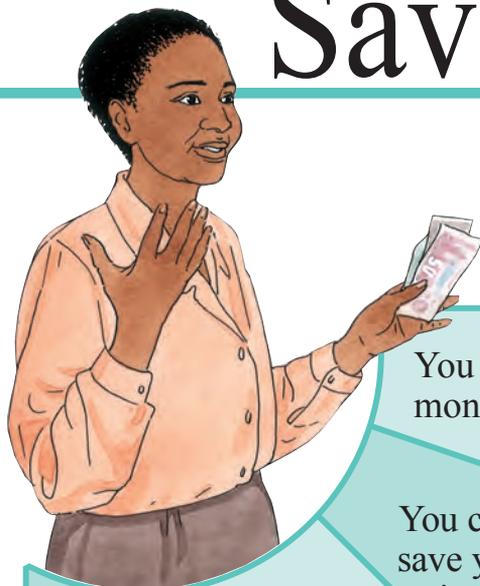
Things you should know

- Do not sign anything unless you are very sure about what you are signing. Ask someone you trust to explain it to you. Take a friend who knows about saving with you.
- Ask for a translation in your own language. The banks and insurance companies should try to help you to understand.

Make sure you know the rules

- When you save with a bank, the post office or an insurance company, you have to follow certain rules. For example, with some savings you have to pay in a certain amount of money every month. Make sure you understand the rules before you open an account or take out a savings policy. If you break the rules, you can lose some of your money.
- If you don't understand the rules, ask the people who work there to explain. You can also get advice from friends who have used this kind of account or policy.
- If you feel you have been treated unfairly, go to an ombudsman or Legal Aid Clinic. They give free help. For their numbers, and other places to contact, read pages 38 to 40.

Saving money



Here are some places where you can save your money.

You can keep your money at home.



You can save your money in a group saving scheme or society.



You can invest your money in insurance policies or unit trusts.

You can put your money in an account at the bank or the post office.



Keeping your savings at home

You can keep your savings under your mattress or in a drawer.



Things to think about

- It is easy to use this money for the wrong things. Then your budget will not work.
- It is easy for people to borrow or steal your money.
- When you keep your money at home, it does not earn interest. Read about how money grows with interest on page 32.

Group savings and societies

These are good for Medium-term Savings. There are three ways of saving with group savings schemes.



■ Stokvels

A stokvel is a savings club where friends and family get together to save money. Everybody pays something every month. The stokvel saves this money. Each person has a turn to get all the money.



■ Syndicates

A syndicate is like a stokvel. Family or friends put money together every month to save for a certain thing. The group decides what they want to buy and when they need it. The money is used to buy that thing.

■ Burial societies

Friends or family can save money each month with a burial society. When a member of your family dies, you or your family will get some money from the society to pay for the funeral.



Good things about group savings

- You can get a lot of money when it is your turn to be paid.
- You don't have to fill in forms. It is easier for people who can't read or write.
- There are group savings schemes in rural areas and urban areas.
- Many people like these schemes because they can spend time with their friends.
- Some banks can make special deals for groups and clubs. This means that you can save money as a group and earn more interest on the money.

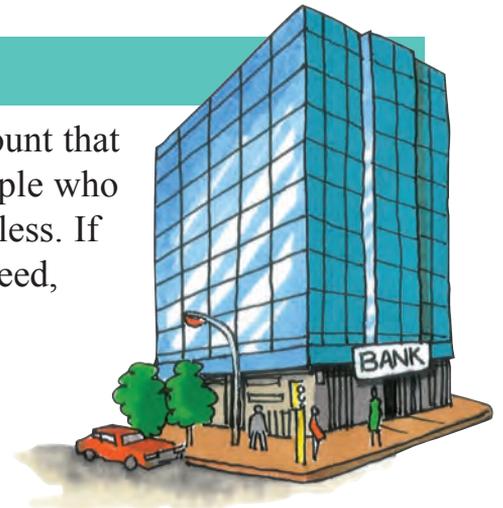
Things to think about

- Group savings also have rules. For example, you have to attend all meetings of the savings group. This takes time.
- You don't earn any interest unless you put the savings into a bank.
- You have to pay some money into the scheme every month.
- You have to trust the people who keep the money.
- You can only get your money when the group pays you.

Saving money – banks and the

Banks and the post office

You need to choose a bank or post office account that is right for you. Some banks are good for people who earn a lot. Some banks help people who earn less. If you go to a bank that understands what you need, you should get better service.



Good things about saving your money in a bank or post office

- You will be paid while you save your money. The money they pay you is called interest. This interest makes your money grow.
- Banks and post offices are good for Short-term and Medium-term Savings. Banks are also good for Long-term Savings.

Things to think about

- You have to pay bank charges.



Your money is safe in a bank, in the post office or with an insurance company. Even if these places are robbed, you will still get your money back.

post office

Different kinds of accounts

In a bank you can open different kinds of accounts. These are:

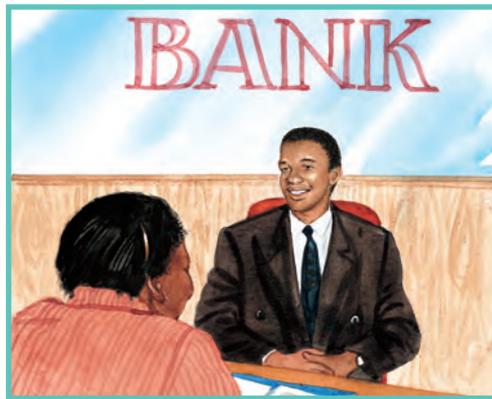
- a savings account
- a call account
- a fixed deposit savings account

In a post office you can open:

- a savings account

How to open an account at a bank or a post office

- Before you open an account, you need to ask about the rules. For example, some banks say you can only open an account if you earn more than a certain amount. Some bank accounts let you take money out in an emergency and some don't.



- Ask what you need to bring with you to open an account.
 - You will need your ID book.
 - For a bank you will need your salary slip or a letter from your employer saying how much you earn every month. Hawkers can use their hawkers' licences.
 - You will need some money to put into the account. They will tell you how much.



- You need to fill in forms when you open accounts. If you are not good at filling in forms, ask someone you trust to go with you.



Saving money – banks and

You will earn interest on all these four savings accounts.

1 Savings accounts in banks

You can open this account at any bank. The more money you have in your account, the more interest you will earn. You will be given a bank card for this account.



Good things about savings accounts

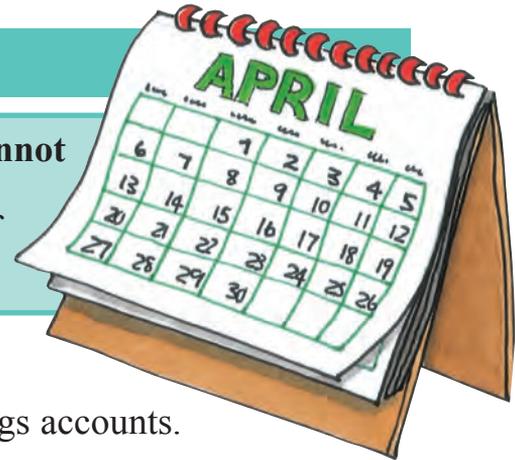
- You can take your money out whenever you need it.
- Your money is always safe if you look after your card.
- You can take money out at any time of the day or night using an ATM (Automatic Teller Machine).

Things to think about

- You earn less interest than on other kinds of accounts.
- Some banks only let you open a savings account if you earn a salary, or can prove that you are employed.
- The bank may charge you to take money out, or to put money into your account. This can cost a lot of money every month. Find out what the bank will charge you **before** you open an account.

2 Call accounts in banks

This is a kind of savings account, but you **cannot** take your money out whenever you want to. You have to tell the bank a certain number of days or months before you take money out.



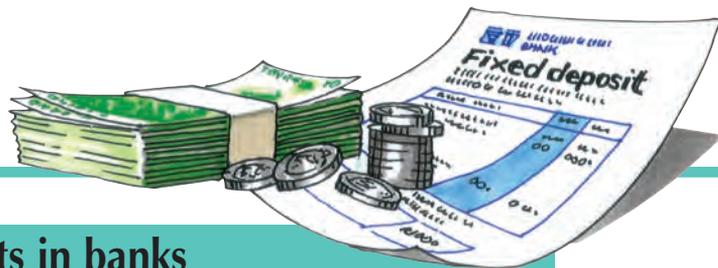
Good things about call accounts

- These accounts pay more interest than savings accounts.
- Your money is safe.
- You can keep adding money to the account.

Things to think about

- You usually have to start with quite a big sum of money. Ask the bank how much it must be.
- You always have to keep a minimum balance in the account.
- You can't take your money out whenever you want to.
- You don't get a bank card. You must fill in a form to take money out.

the post office



3 Fixed deposit savings accounts in banks

This account is good for Medium-term or Long-term Savings. You put away money for a fixed length of time. You can only take your money out on the date that you and the bank have agreed on. You decide this date when you open the account. Fixed deposits are usually for 6 months to 5 years.

Good things about fixed deposit savings accounts

- You usually earn more interest than in a savings account or a call account.

Things to think about

- You cannot add money to the account.
- You may not be able to use the money until the agreed time is over.



4 Savings accounts at the post office

This is like a bank savings account. You use a savings book but you can also get an ATM card. Then you can use some ATM machines to take money out of your post office savings account.

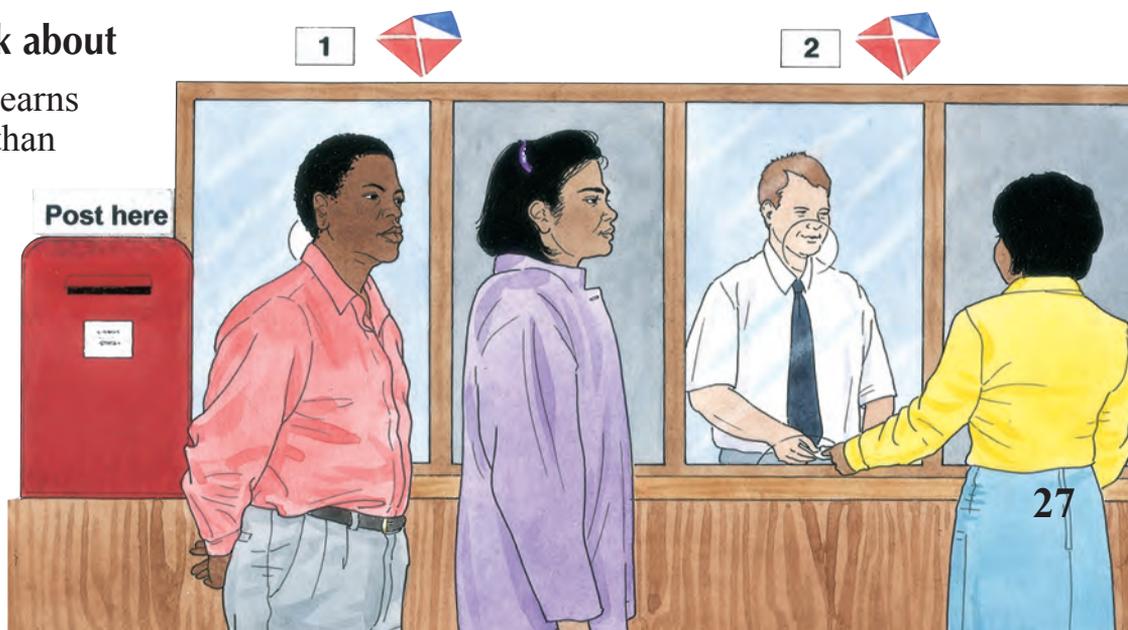
Good things about post office savings accounts

- You can get an account easily.
- You are allowed to take your money out at any time.
- Your money is always safe.
- You don't need a lot of money to open an account.

Things to think about

- Your money earns less interest than in the bank.

Remember:
You might have to pay tax on the interest.



Saving money – investments



Saving with an insurance company

- An insurance company is like a bank. You can save your money with them. If you want to save with an insurance company, you must speak to an insurance adviser.
- Some insurance advisers work for one insurance company. They are called agents. They only give you advice about how to save with that company.
- There are also people called brokers. They do not work for only one insurance company. They can tell you about different places and ways to save.
- It costs money to take out insurance policies and unit trusts. Some of your money goes to the insurance company and some money goes to the agent or broker. Ask your broker or agent to explain these costs to you.
- Insurance policies and unit trusts are good for Long-term Savings.

Insurance policies



You can save your money with insurance companies by buying policies. This is good for Long-term Savings.

Insurance policies can:

- help you with savings
- pay money if you die or become disabled

How do I find out which insurance policy is right for me?

There are many different kinds of insurance policies. You must speak to an insurance company or broker to find out which policy is right for you.

The most popular products you can buy at an insurance company are:

■ endowment policies



■ retirement policies



■ life and disability cover



How do I invest in an insurance policy?

You have to pay money to the insurance company for a certain amount of time. You can pay:

- every month
- 4 times a year
- 2 times a year
- once a year
- one big amount of money

Most people find it easier to pay money every month. These payments are called **premiums**.

What happens to my money at the insurance company?

The company will invest your money for you so that your money grows.

Will I pay the same premium all the time?

You can ask for your payments to be made bigger each year. This will make sure that your savings keep up with inflation. Only do this if you can afford the bigger amount.



To find out more about insurance policies, you need to speak to an insurance company, an agent or a broker.

Saving money – investments

More information about insurance policies

Things to think about when you invest your money in a policy

- Most policies have rules. Find out what they are when you take out the policy.

For example:

- Most policies say that you have to pay money regularly. If you stop paying, you may lose the money you have already paid.
- If you take the money from your policy earlier than you agreed, you will lose some of your money. With endowment policies, it is best to start with a five-year policy. Then you can decide if you want to invest the money again.



- Some policies can be used as security for you to borrow money from banks and insurance companies.

- You can change or cancel most policies within 21 days. This gives you time to be sure that you want the policy. Sometimes you will lose some money if you cancel. Ask about this when you buy the policy.

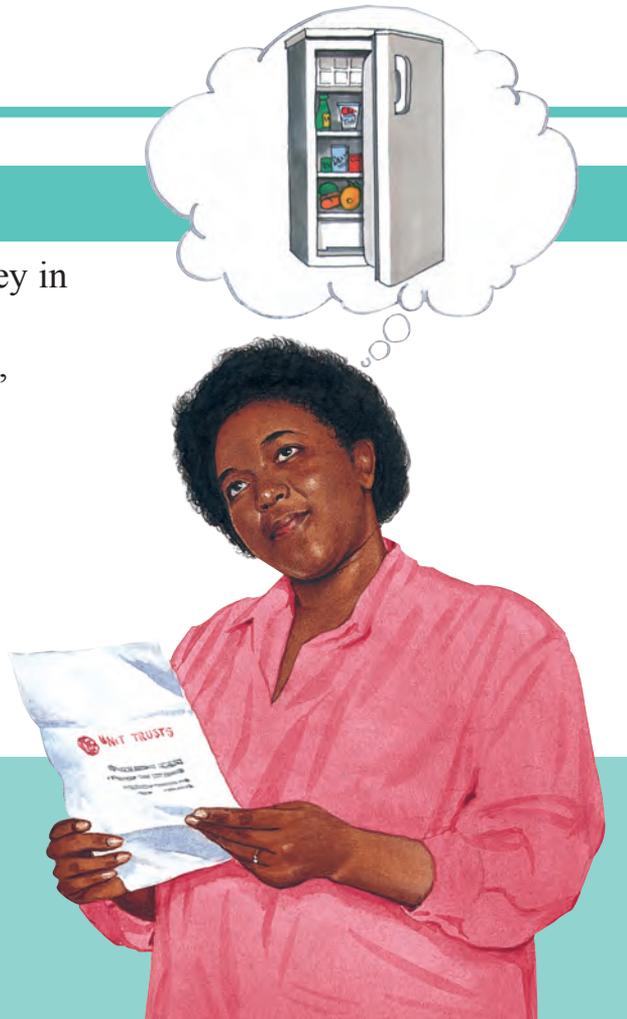
- Many insurance companies phone people to try and sell them a policy. The company must tell you if they are recording the phone call. Ask the company to send you information instead. This way you can decide in your own time.

- Remember if you buy policies on the phone, you can cancel most of them within 21 days. Ask about this when you buy a policy.



Unit trusts

- You can also invest your money in unit trusts.
- You can buy them from banks, insurance brokers and agents.
- You can choose from many different kinds of unit trusts. Ask the agent or broker to help you.
- Unit trusts are good for Long-term Savings.



Things to think about

- The value of unit trusts can go down as well as up.
- Some are safer to invest in than others.
- It is better to leave your money in a unit trust for five years or more. You are more likely to earn more over a longer time.
- Get advice from someone who knows about unit trusts before you decide which ones to buy.

Good things about unit trusts

You can take your money out if you need it for emergencies.
Unit trusts can help you save for your dreams.



Tips for savings

What is interest?

Interest is the way your money grows when you put it in a savings account or invest it in an insurance company.

Start saving early

The earlier you start saving, and the longer you keep your money saved, the more your money will grow. That is why it is better to start saving as soon as you can – even if it means you can only afford to save a small amount.



Here is an example of why you should start to save as soon as you can:

Save R100 every month at 12% interest

At the end of 5 years you have paid: R6 000
It has grown to → R8 248

At the end of 10 years you have paid: R12 000
It has grown to → R23 233

At the end of 15 years you have paid: R18 000
It has grown to → R50 457

Beware of inflation!

You can see from the example on the left that when you invest your money for a long time it will grow into a big amount. But remember what happens with

inflation. When you take the money out of the insurance company or bank, it will not buy as much as it does today.

We all know that every year the price of bread, milk, rent and clothes goes up. This increase in price is called inflation.

You should think about inflation when you are planning your Medium-term and Long-term Savings. Education that costs you about R5 000 this year, may cost you twice as much in 7 years time.

Another way to think about this:

If you keep a R10 note in your cupboard for 5 years, this R10 note will buy less milk after the 5 years than it will buy now.

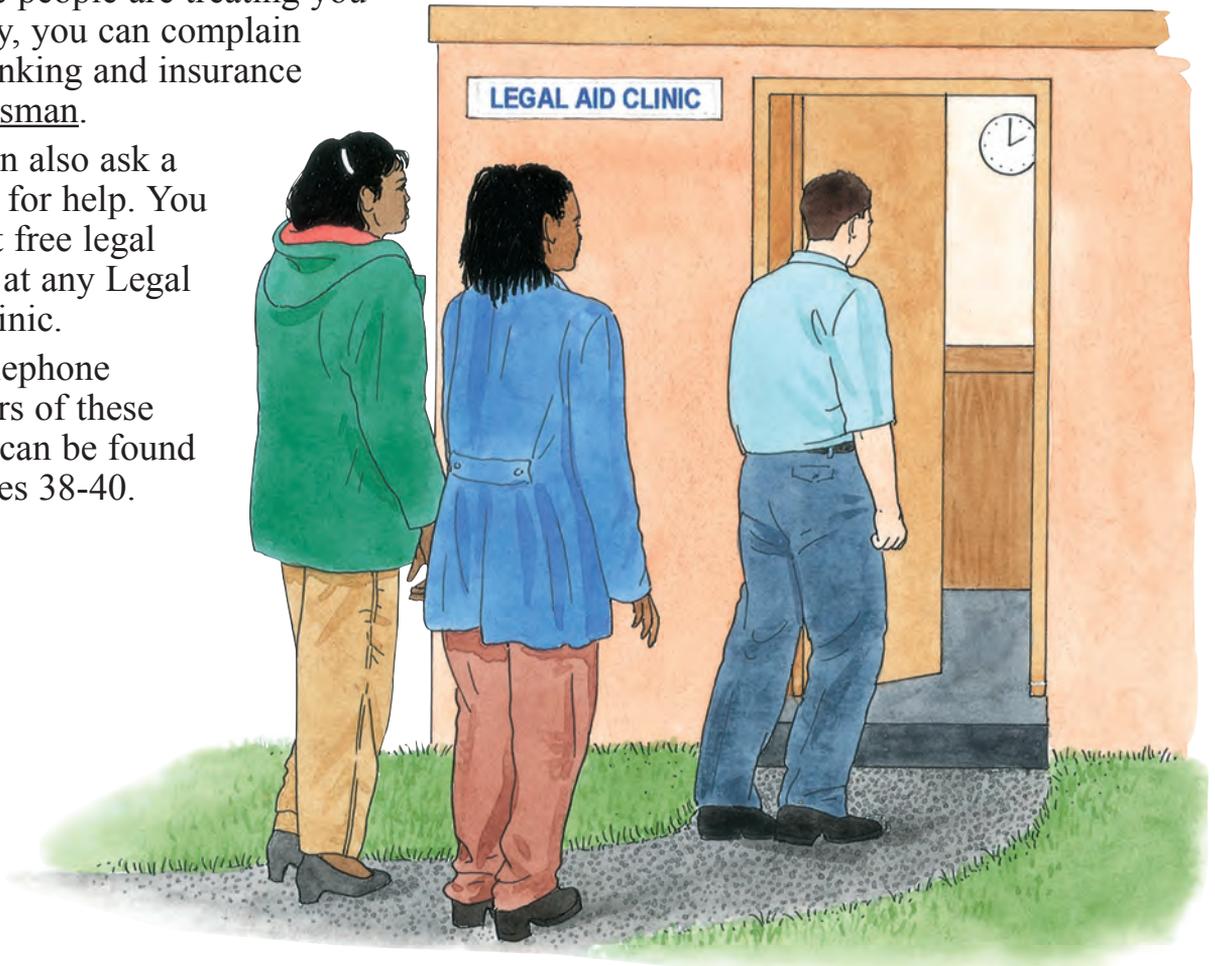


When you have problems

If you have problems with your accounts or policies, ask someone from the bank, your agent, your broker or the insurance company to help you. If these people are treating you unfairly, you can complain to a banking and insurance ombudsman.

You can also ask a lawyer for help. You can get free legal advice at any Legal Aid Clinic.

The telephone numbers of these places can be found on pages 38-40.



Is my money safe in the bank?

The only way your money in the bank can be stolen is if someone has your PIN number or your ID book. Then they can use your bank card or book without your permission.

When you deposit your money, the bank agrees to keep it safe. If the bank is robbed, it has to give you back your money.

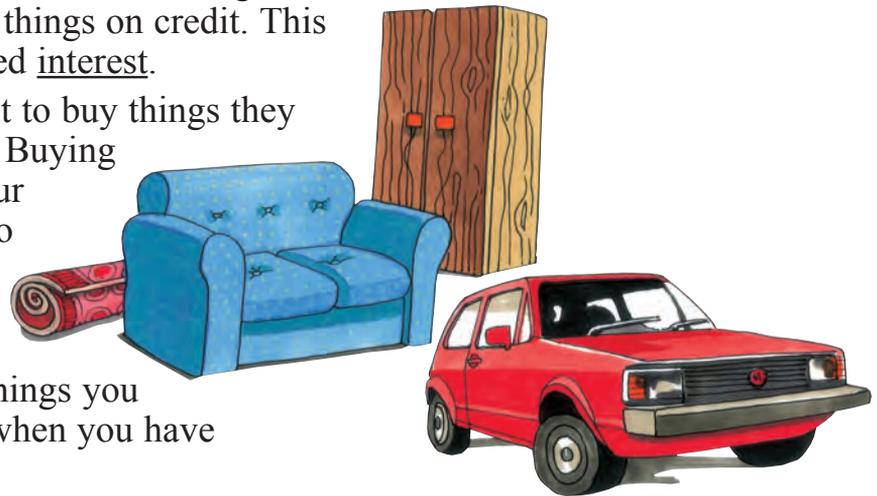


Buying on credit

What is buying on credit?

- Credit means borrowing money to buy things you cannot afford to pay for right now.
- You have to pay the money back over a number of months or years.
- You always have to pay back more money than you borrowed. This means that the things you buy on credit are more expensive than things you pay for with cash. You are charged extra when you buy things on credit. This extra amount is called interest.

Many people use credit to buy things they want, but do not need. Buying on credit can make your life a struggle if you do not have enough money to pay the credit back. It is much better to save for the things you want. Buy them later when you have saved the cash.



Hire purchase

Hire purchase is when you buy something like furniture or a car on credit. You then pay a small amount back every month. You can pay back over many months or even years.

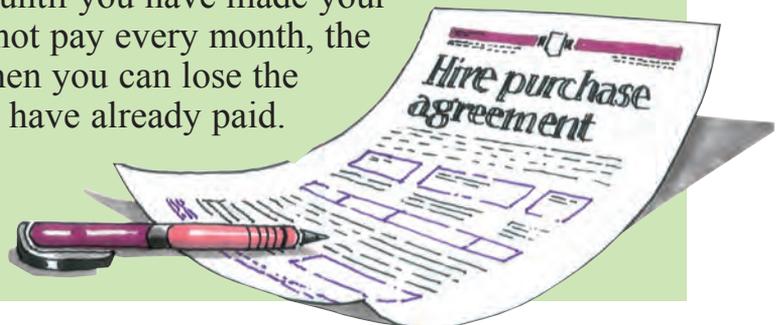
When you buy on hire purchase, you must be sure you can afford your payments for the whole time that you need to pay back.

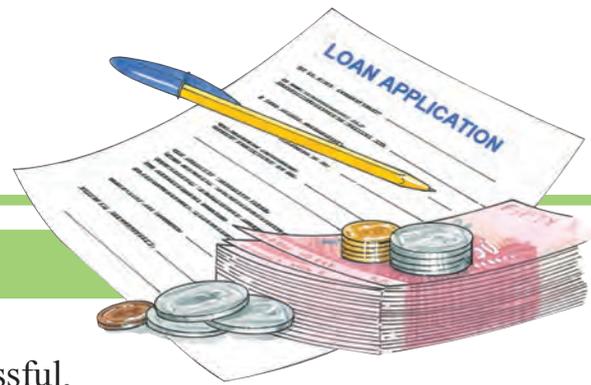
Good things about buying on credit

- You get your item now. You have a long time to pay back.

Things to think about

- You usually pay a lot more for the item. It is much cheaper to save your money and pay cash for what you want to buy.
- The shop owns the item until you have made your last payment. If you cannot pay every month, the shop can take it back. Then you can lose the item and the money you have already paid.





Micro-loans for starting your own business

If you want to start your own business, you may need to borrow money. If your business is successful, you can pay back the loan with the profits you earn from the business. You can also use your profits to pay your Monthly Expenses and save for your dreams.

Where do I borrow money to start my business?

Different places give different size loans.

- Go to a micro-enterprise lending institution to borrow money for a small business.
- Go to a bank to borrow money for a bigger business idea.

Have a Business Plan

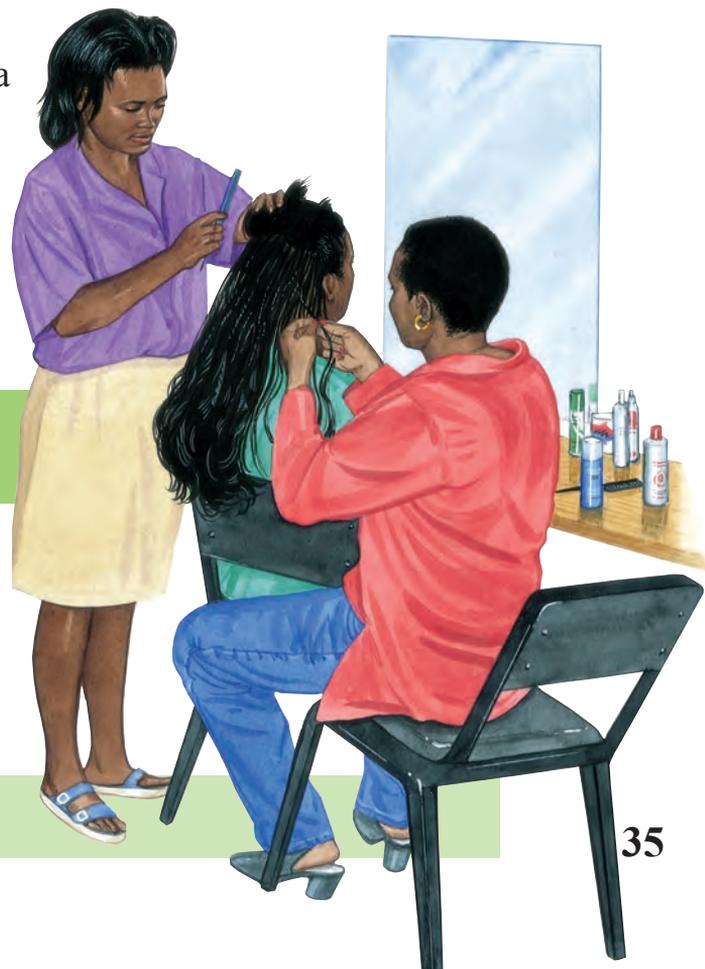
Any lender you go to will want to know that you have thought carefully about your business. They will want to know that you have a Business Plan. It must answer these questions:

- Do you have the right skills to run the business?
- Is there a market demand for that type of business in your area?
- Is there too much competition nearby?
- Are there enough customers in your area for your business?
- Have you worked out your budget for your business?
- Will you be able to pay back the loan?

Think about these questions. The answers will help you make your Business Plan.

Having savings can help you get a loan

- A record of regular savings shows you are responsible with money.
- Some places may ask for a deposit. You can use your savings to help pay the deposit.



Remember!

The cost of the loan and the repayments must be part of your Business Plan.

Difficult words explained

Bank charges (page 24)

This is the money a bank makes you pay each time you put money into your account or take money out of your account. Bank charges are used to pay the bank's expenses like rent and salaries.

Budget (pages 2, 3, 4, 7, 14, 16, 18, 19, 20, 22, 35)

A budget is a list of all the money you have to spend. It is also a list of all the things you have to buy or pay for with that money. A budget can help you to plan how to spend your money. It can show you if you have money left over to save.

Competition (page 35)

Someone who sells the same things you do, and takes your customers away.

Customer services (page 20)

Places like banks employ people to help with the problems and questions their customers have. These people will try to help sort out your problems.

Debt (page 2)

Money that is owed to other people or to companies.

Deductions (pages 8, 9)

A company pays a worker a certain amount of money to do a job. A worker doesn't get all the money. Some money has to be taken off to pay tax, medical aid and unemployment insurance. This money is called a salary deduction.

Different size loans (page 35)

Some organisations lend very small sums of money, and some only lend larger sums of money.

Disability cover (page 29)

This is insurance that will pay you money if you become disabled and cannot work.

Education policy (pages 15, 19)

Insurance companies can help you to save for your child's education. You pay them a certain amount of money every month for a number of years. This money can be used to pay for your child's education when the policy pays out.

Emergency (pages 20, 25, 31)

Something that happens unexpectedly that creates a problem.

Employees (page 8)

Employees are people who work for a boss and earn wages or salaries.

Employer (pages 8, 25)

An employer is someone who employs other people and pays them for the work they do.

Endowment policies (pages 29, 30)

These policies allow you to save for a fixed period of time. You agree on this time with the insurance company. At the end of the time the insurance company will pay you more money than the money you put in.

Hawkers' licences (page 25)

These are licences that allow people to trade in certain places. Sometimes they give permission to trade in certain goods.

Inflation (pages 14, 29, 32)

Inflation is when money loses value with time. For example, a loaf of bread will cost more next year than this year. This increase in price is called inflation.

Insurance policies (pages 22, 28, 29, 30)

These are policies you buy from an insurance company. In return, they promise to help you with money if you have certain problems in your life. For example, you can buy insurance that will pay you if your car is stolen. You can buy insurance that pays your medical bills if you have to go to hospital. You can buy insurance to pay for funeral expenses or to pay your family if you die.

Interest
(pages 5, 22, 23, 24, 26, 27, 32, 34)

There are two kinds of interest:

- There is interest that you pay if you borrow money. Banks, moneylenders (mashonisa) and insurance companies can lend money to people, but they charge to do this. The amount they charge is called interest.
- There is interest that you earn when you save money in a bank or post office.

Item
(page 34)

This means a certain *thing* that you have bought.

Lawyer
(page 33)

Someone who is trained to understand the law and who can help you with legal problems.

Market
(page 35)

This is the need for customers to buy what you are selling. It is no good having something to sell that nobody wants.

Micro-enterprise lending institution
(page 35)

This is an organisation that can lend money to someone to start a very small business. Some lend money to groups of people, and some lend money to individuals.

Minimum balance
(page 26)

Some banks only allow you to have an account if you leave some money in the account. For example, the minimum balance can be R100. If you have less than R100 in the account, the account can be closed.

Ombudsman
(page 33)

A person who will help if you have a problem with an insurance company or bank.

Planned
(pages 12, 13)

Something that you know about, and have thought about how you would do it.

Profits
(page 35)

The money you make in a business. You make a profit if you make more money than you have to spend.

Provisional tax payers
(page 9)

This means you have to pay your own income tax twice a year. The Receiver of Revenue will tell you how much to pay.

Repayments
(page 35)

This is how much you have to pay back every month if you have borrowed money. Usually you have to pay the amount borrowed plus interest.

Retirement
(page 5)

People usually stop working when they are older. Retirement means you have stopped working.

Security
(page 30)

Many people call this collateral. This is something you can offer to a bank if you want to borrow money. If you do not pay back the money, the bank can use the item to get their money back. You can use property, or some insurance policies, as security. Someone can also agree to pay for you if you cannot pay.

Self-employed
(pages 8, 9)

Self-employed means that you work for yourself and not for a boss. It can mean that you work alone, or that you have your own business and employ other people.

Units trusts
(pages 22, 28, 31)

Unit trusts are a way of saving money on the stock exchange. On the stock exchange, you can buy shares (parts) of businesses. You give money to a bank or insurance company and they buy the shares for you. The value of these shares can go up or down. It is better to leave your money in the unit trust for five years or more. That way if the value drops, it has time to go up again.

Unplanned
(pages 12, 13)

Something you did not expect to happen.

List of places to

Phone the numbers on these pages if you think you have been treated unfairly where you save your money.

Legal Aid Clinics

Phone these clinics for an appointment.

- **Eastern Cape**
Fort Hare University
Tel: 040 602 2236
Rhodes University
Tel: 046 603 8425
University of Port Elizabeth
Tel: 041 504 2190
- **Free State**
University of the Free State
Tel: 051 401 2451
051 505 1386
- **Gauteng**
Pretoria University
Tel: 012 420 4155
University of Johannesburg
Tel: 011 559 2911/2633/6787
University of Witwatersrand
Tel: 011 717 8562
Legal aid advice line
Tel: 0861 053 425
- **Limpopo**
University of the North
Tel: 015 268 2506
- **North West**
Potchefstroom University
Tel: 018 293 0045
University of the North West
Tel: 018 389 2510
- **Western Cape**
University of the Western Cape
Tel: 021 959 2756

Legal Resource Centres

- **National Office**
PO Box 9495
Johannesburg 2000
Tel: 011 836 9832/1
- **Eastern Cape**
Grahamstown
Tel: 046 622 9230
- **Gauteng**
Johannesburg
Tel: 011 836 9831
Pretoria
Tel: 012 323 7674/5/6
- **KwaZulu-Natal**
Durban
Tel: 031 301 7572
- **Western Cape**
Cape Town
Tel: 021 481 3000



help you

Other Organisations

Black Sash

Head Office: Johannesburg
Tel: 011 834 8361/5
Cape Town
Tel: 021 686 6952

Banking Ombudsman

Tel: 011 838 0035/0038
Toll Free: 0861 662 837

Council of South African Banks

Head Office: Johannesburg
Tel: 011 645 6710

Department of Consumer Affairs

■ **Eastern Cape**

Port Elizabeth
Tel: 045 808 4000

■ **Free State**

Bloemfontein
Tel: 051 400 4852

■ **Gauteng**

Johannesburg
Tel: 011 355 8106/8000

■ **KwaZulu-Natal**

Durban
Tel: 031 310 5300

■ **Limpopo**

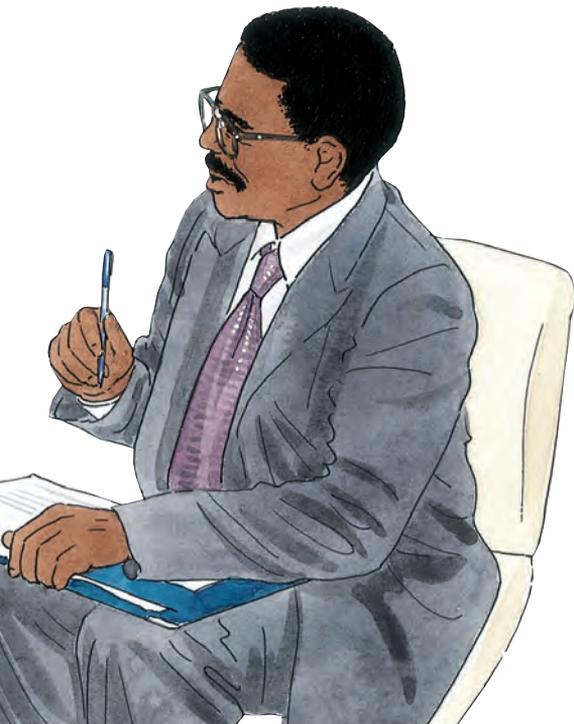
Polokwane
Tel: 015 293 8300

■ **North West**

Mafikeng
Tel: 018 387 7700

■ **Western Cape**

Cape Town
Tel: 0800 007 081



List of places to help you

Savings advice

- **Gauteng**
Federation of Urban and Rural Poor (FEDUP) – Johannesburg
Tel: 011 339 2969
- **KwaZulu-Natal**
Federation of Urban and Rural Poor (FEDUP) – Durban
Tel: 031 304 9694
- **Western Cape**
Community Organisation and Resource Centre (CORC) – Cape Town
Tel: 021 689 9408
Utshani Fund – Cape Town
Tel: 021 447 4740
Savings and Credit Co-operative League of South Africa (SACCOL) – Cape Town
Tel: 021 422 3333

Starting your own business

- **Eastern Cape**
Small Business Unit – Port Elizabeth Tel: 041 503 7500
- **Gauteng**
Khula Enterprise Finance Limited – Johannesburg Tel: 0860 054 852
Ntsika Enterprise Promotion Agencies – Pretoria Tel: 0800 113 857
- **Limpopo**
Small Enterprise Foundation – Tzaneen Tel: 015 307 5837/5
- **Mpumalanga**
Women's Development Bank (For rural areas only)
Tel: 013 752 5179





EUROPEAN UNION

The European Union is made up of 15 member countries. It has a good relationship with South Africa. Even before the elections in 1994 they gave money to help those who had suffered because of apartheid. Over the years this money has increased. Today South Africa gets about 900 million rand every year from the European Union. This is more money than South Africa gets from any other country in the world.

The European Union works with the South African government so that the money gets to the people who need it most. The money goes to health, education, human rights, democracy programmes, and to support private enterprise. The European Investment Bank has given South Africa loans of nearly 5 billion rand to help South Africa with water, toilets, electricity, energy and businesses.

The European Union is also South Africa's biggest trading partner. 40% of all the trade that South Africa does is with the European Union. South Africa also invests a lot of money in the European Union.

South Africa and the European Union have an agreement that will make these links in trade, development and co-operation even stronger.

The European Union is committed to the future of the people of South Africa and is building a strong and long-term relationship with the country.

The European Union can be contacted at: PO Box 945, Groenkloof 0027
Tel: 012 460 4319

Soul City Institute
is a not-for-profit
organisation
(012-983NPO)
supported by:



This publication (journal article, etc.) was partially supported by Cooperative Agreement Number U62/CCU024560/01 from Centers for Disease Control and Prevention (CDC). Its contents are solely the responsibility of the authors and do not necessarily represent the official views of CDC.

The Soul City Distribution Centre: To order Soul City material please call us on 0860 11 5000

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It is not possible, in a small booklet like this, to give you all the answers you may need. The purpose of this booklet is just to give you some ideas. You should not rely on everything that is written in this book for each and every situation. So for example, before you make a budget or make plans to save your money, get proper advice about your particular situation. Soul City and Jacana cannot be held responsible for any of our readers' financial problems.

Reprinted 2001/2004/2008/2010

Published by Jacana ISBN 978-1-919777-04-7