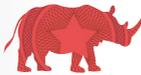




# MONEY THE MONEY

THE **BIG FIVE SECRETS** OF MONEY MANAGEMENT

A FINANCIAL **BEHAVIOUR CHANGE** EXPERIENCE



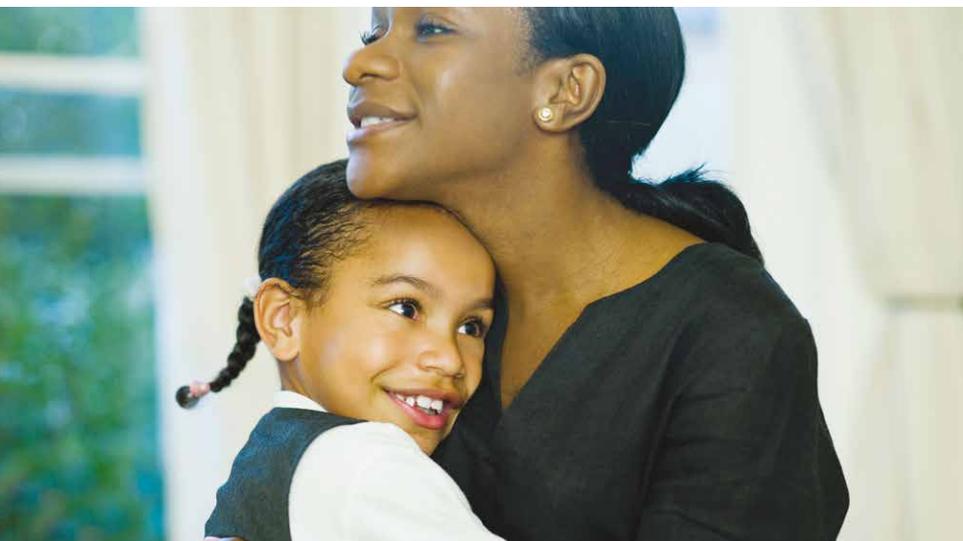
Bankseta accredited



OLDMUTUAL

# TABLE OF CONTENTS

<b>WHY THE “ON THE MONEY” APPROACH TO MONEY MANAGEMENT?</b>	<b>1</b>
<b>THE SECRET OF THE LION</b>	<b>2</b>
- The savings process	<b>3</b>
<b>THE SECRET OF THE LEOPARD</b>	<b>4</b>
<b>THE SECRET OF THE ELEPHANT</b>	<b>5</b>
<b>THE SECRET OF THE RHINO</b>	<b>6</b>
- Getting out of debt	<b>7</b>
<b>THE SECRET OF THE BUFFALO</b>	<b>8</b>
- Estate planning	<b>9</b>
- Finding and buying a property	<b>10</b>



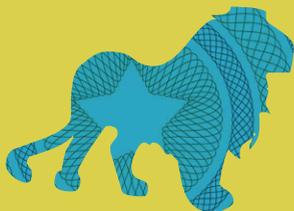
# WHY THE “**ON THE MONEY**” APPROACH TO MONEY MANAGEMENT?

**OLD MUTUAL’S RESEARCH HAS SHOWN THAT POOR FINANCIAL HABITS ARE AT THE ROOT OF POOR MONEY MANAGEMENT. MANY PEOPLE KNOW WHAT TO DO - THEY HAVE BASIC KNOWLEDGE AND MOTIVATION - BUT THEY WIND UP NOT DOING IT.**

‘**ON THE MONEY**’ targets this by helping people see how easy it is to start new habits and break old approaches. The **ON THE MONEY** programme is accredited by Bankseta and is NQF aligned. By focusing on actual behaviour change, Old Mutual is putting a considerable investment into breaking the cycle of generational poverty. The **ON THE MONEY** series concentrates in particular on helping people to get into saving habits, and get out of debt traps.

## **OBJECTIVES OF THE PROGRAMME**

- How you can break old habits that get in the way of financial stability, and establish worthwhile new ones.
- The habit of pro-active saving - the basis of all good money management.
- How to get into the habit of creating powerful, clear and specific short, medium and long-term visions that are realistic, achievable and inspiring.
- How to get into the habit of charging down your debt as fast as possible.
- How to get into the habit of protecting your assets and growing your wealth through wise investments.



# THE SECRET OF THE LION

**THE LION EATS FIRST - AHEAD OF THE PACK. YOU TOO SHOULD 'EAT FIRST' BY ARRANGING AN AUTOMATIC DEDUCTION FROM YOUR SALARY AT THE VERY START OF THE MONTH, BEFORE YOU SPEND ANYTHING.**

Most people try to save from what is left over after their daily spending. The secret of the lion encourages a new, pro-active habit, giving meaning to the idea of 'taking the Lion's share'.

Included in this module are learnings about the different saving vehicles, and about how to use debit or stop orders to achieve automatic discipline and regularity to your new saving habit.

**The module also looks at how much you should ideally be saving at different stages of your life.**

Once you are in the habit of 'eating first' you need to think carefully about the pros and cons of various methods of saving.

## **THESE INCLUDE:**

- The Savings Club or Stokvels Method.
- A Saving Account at a Bank or Post Office.
- Notice Deposits.
- Fixed Deposits.



A savings plan is an investment in which a person contributes money on a regular basis in order to reach a financial goal on a short or a long-term basis. In order to commit to a savings plan you need to follow the 5 steps listed below:

## 1. IDENTIFY WHAT YOU ARE SAVING FOR

No one starts a long road trip without a map of how they are planning to get to their destination. Saving is the same; you need to have a clear objective of what you are saving for (we will cover this in the Secret of the Leopard). When committing to your savings plan you need to write down each goal/objective you have and the amount you want to save as well as a target date for reaching your goal. You must make these realistic so that you can ensure your success.



Finance journey



Write down goals



Stay focused



## 3. CHOOSE THE APPROPRIATE SOLUTIONS

There are many ways to save, you need to research and find the right one for you. A financial advisor can help you decide on which products or services you should use. For short-term goals you should focus on safety and liquidity rather than growth. For medium term goals you need to find the right balance between growth and liquidity. Long-term investments are more risky but here you need to focus on growth and leave your money in your investment for many years.



Long-term goal: invest



Medium-term goal: growth & liquidity



Short-term goal: safety



Financial advisor & savings plan

## 2. DETERMINE HOW MUCH YOU CAN SAVE

We will cover this in more detail in the Secret of the Elephant but you need to know what you earn, how much you spend and what you are saving so that you can determine how much you can save. You might need to reign in spending in order to save the required amount.



Know your income



Know your expenses



Calculate savings



Save more



## 4. MAKE IT AUTOMATIC

As we have discussed, you need to make savings automatic. If you get used to the money not being in your account you won't miss it. So feed yourself first and take the savings amount out of your account straight away.



Automate savings



Feed yourself first



Move money to savings



## 5. MONITOR YOUR PROGRESS

Take time out every month to review your savings and see if you are meeting your goals. If you aren't you will need to review your choices and maybe change your investment options. If you are meeting them or exceeding them then it will motivate you to continue.



Every month



Review savings

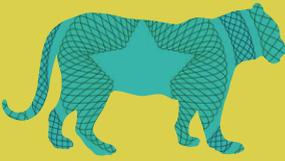


Change investment options if needed



Meeting goals will motivate you





# THE SECRET OF THE LEOPARD

**THE LEOPARD NEVER LETS ITS PREY OUT OF ITS SIGHT, PATIENTLY PLANNING AND MOVING TOWARDS ITS GOAL, NEVER BACKING OFF, AND STAYING FOCUSED.**

**'Of course I have a goal for my future – I want a better life'**

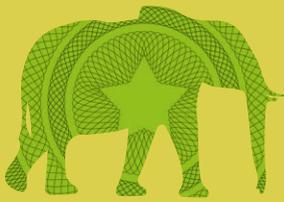
Does this sound like you? To succeed, you need more concrete goals than this, and you need to back your goals with good plans.

The module also looks at how much you should ideally be saving at different stages of your life.

What is your vision of your financial future?

## **THE SECRET OF THE LEOPARD SHOWS YOU HOW TO:**

- Make your financial goals vivid, inspiring, but also concrete and achievable.
- Develop a plan to achieve your goals.
- Get the support you need from others to achieve your goals. Research shows that you are much more likely to succeed if you can ask someone to check in with you and encourage you from time to time.
- Do each of these steps, and you will be well on your way to achieving your goals.



# THE SECRET OF THE ELEPHANT

**YOU KNOW THE SAYING, 'THE ELEPHANT NEVER FORGETS'. ITS KNOWLEDGE, AIDED BY ITS MEMORY, IS ITS POWER.**

Knowledge is also power for financial planning. If you don't do a budget at least once a year, you won't know if you have, or could get, any spare cash to increase your savings, or reduce your debt.

**Only a budget can give you that powerful knowledge.**

## **IN THIS MODULE, THE ELEPHANT SHOWS YOU HOW TO:**

- Learn what you earn, know what you owe and comprehend what you spend.
- Use this information wisely to plan your spending in the future so that you can reduce debt, or save more, or both.
- Get into the habit of doing an annual budgeting exercise on the same day each year, just as our Finance Minister does an annual budget for the country.
- To help you get into the habit, the module outlines a few simple steps to creating a really useful personal budget.

### **STEP 1: Learn what you earn**

Understand your salary slips and bank statements so you know exactly what is coming 'in'.

### **STEP 2: Know what you owe**

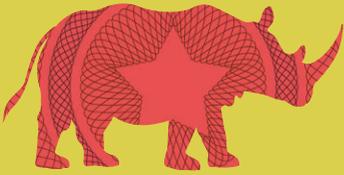
Record your expenses carefully, so you know exactly what is going 'out'.

### **STEP 3: Draw your future budget**

Set new targets and limits for certain items.

### **STEP 4: Review your budget**

At the end of each month, compare your budgeted expenses to your actual expenses.



# THE SECRET OF THE RHINO

**THE RHINO'S WEAPON IS TO CHARGE WHEN CONFRONTED BY DANGER. WHEN THREATENED, IT WORKS OUT WHAT ITS BIGGEST THREATS IS AND CHARGES IT DOWN, TAKING SWIFT CONTROL OF THE SITUATION.**

This module looks at how you can always get into the habit of reducing debt fast, and using debt wisely. Debt is only dangerous if you don't manage it carefully and reduce it as quickly as you can.

## **GET OUT OF DEBT – STEP BY STEP**

Make sacrifices in the short term and charge down your debt. These steps can be helpful:

### **STEP 1: Face the problem**

Know how much you owe.

### **STEP 2: Share your problem!**

Who can support you while you charge down your debt?

### **STEP 3: Adjust your budget**

Revise your budget, so you reduce your spending on just a few items each month. You then use the money you save to charge down your debt faster. You will always find there are one or two places you can cut down a little.

### **STEP 4: Create strategies to deal with your debt**

You have to work out which debt poses the biggest threat. This is often not the biggest debt you have, but the one with the highest interest rate. You need to charge that one down the fastest!

### **STEP 5: No new debt!**

While you are charging down your debt, learn how to stop yourself from incurring any new debts.

# GETTING OUT OF DEBT




## 1. FACE THE PROBLEM KNOW & RESEARCH YOUR DEBT

The type of debt you have, the cost of debt, what you owe, your repayment each month, when you will have repaid the full amount, which debt has the highest interest rate.



## 2. SHARE YOUR PROBLEM DEVELOP A SUPPORT SYSTEM

This will help keep you focused on your goal of being debt free.



## 3. ADJUST YOUR BUDGET REVISE YOUR SPENDING

Enabling you to repay your debt quicker.



## 4. CREATE STRATEGIES DEAL WITH YOUR DEBT

- Which debts pose the biggest threat?
- How do you deal with your creditors?
- What are your options?
- Will you be blacklisted?
- Is there a sensible level of debt?
- What is the sensible level of debt for you?



### WHAT IT MEANS PERCENTAGE OF INCOME USED FOR MONTHLY DEBT REPAYMENTS

**0 - 30%**

This indicates you are mostly responsible about money. Debt is under control and you plan for the future.

**30 - 36%**

Heading towards danger 36% is the 'magic number' in this ratio – go further than this and there could be in trouble.

**37 - 50%**

Danger Potential to be out of control. Reduce debt fast and do not take on new debt.

**+ 50%**

Requires Immediate Action Debt is out of control and causing serious financial difficulty.



## 5. NO NEW DEBT STOP YOURSELF

Stop yourself from buying anything else on credit.

### CALCULATE YOUR DEBT RATIO

1.

Work out your total monthly debt repayments

2.

Work out your total monthly income

3.

Work out the relationship between your total monthly income and your total monthly debt repayments

(Debt/Income)

x 100%

x %



# THE SECRET OF THE BUFFALO

**THE MIGHTY BUFFALO STEADILY GROWS ITS HERD, AND DILIGENTLY PROTECTS ALL THE MEMBERS OF ITS FAMILY BY FINDING STRENGTH IN NUMBERS.**

In this module, you'll discover how to get into the habits of investing in careful, well-planned, but effective investment products. You'll find out amazing ways to pool your strengths with others, in the form of simple insurance for your assets, including protecting your own earning power.

**THE SECRET OF THE BUFFALO** allows you to understand the three critical elements of any investment: the level of risk, the rate of return, and the amount of time you have to invest.

**This module also looks at various kinds of marriage regimes.**

ANTENEPTUAL  
WITHOUT  
ACCRUAL



ANTENEPTUAL  
CONTRACT WITH  
ACCRUAL



CIVIL  
MARRIAGE



IN COMMUNITY  
OF PROPERTY



COMMON LAW  
MARRIAGE



CUSTOMARY  
LAW



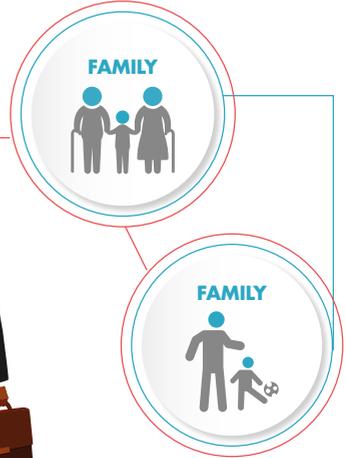


## REVIEW BENEFICIARIES

As your family situation changes over the course of a lifetime, you may need to change the names of beneficiaries not only in your Will but also in life insurance policies and other documents that list beneficiaries, such as trust deeds and group life funds.

## ESTATE TAXES

There are various ways to limit the taxes payable on your estate (such as estate duty and capital gains tax) depending on the size of your estate and your family situation. It is worthwhile to discuss the options with your financial advisor.



## GUARDIAN & MINORS

This issue is often overlooked by parents, especially as a surviving parent remains guardian in the event of the death of the other parent. However, couples should always choose a guardian for their children just in case they should both pass away. Parents who have minor children, need to take time and special consideration when deciding who will take guardianship of their children in the event that they die. Their nominated guardian should be stipulated in their Will. The person nominated must be willing to be the guardian.



## RECORD-KEEPING

It is a traumatic time for the surviving family when someone passes away. It is essential to create a list of where all-important information can be located and give the list to someone you trust.

## REVIEW/UPDATE YOUR WILL

Having a Will is the cornerstone of any estate plan. For anyone with children the consequence of not having a Will may be devastating. Once you have a Will, it is important to review it regularly, especially if you go through a life stage or job change. Also ensure that your family know where to find your Will when you aren't around to show them. It is a good idea to chat to your family about your wishes, although this is a personal decision.

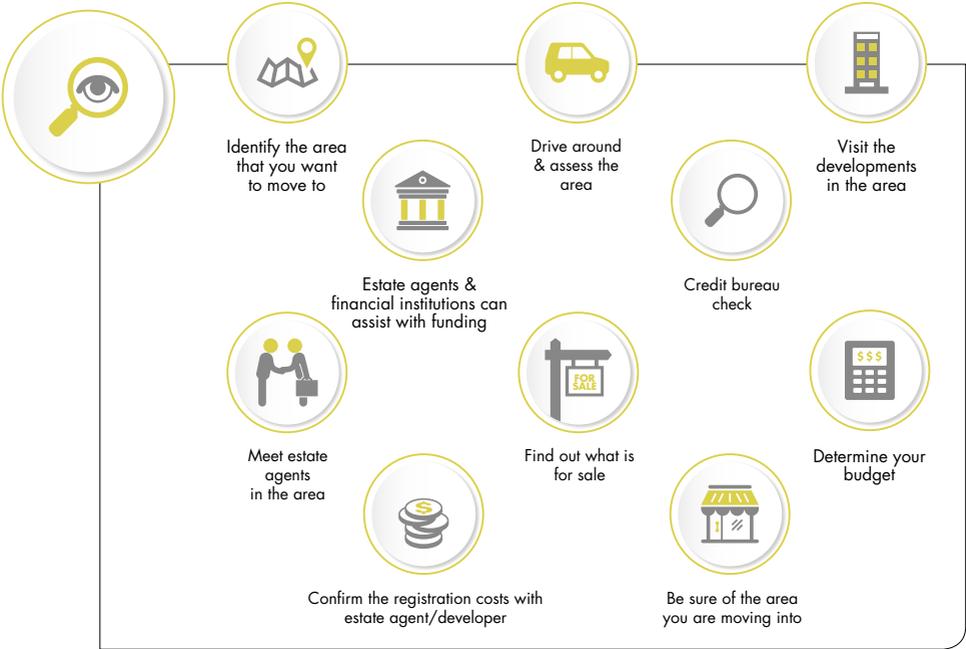


## THE EXECUTOR

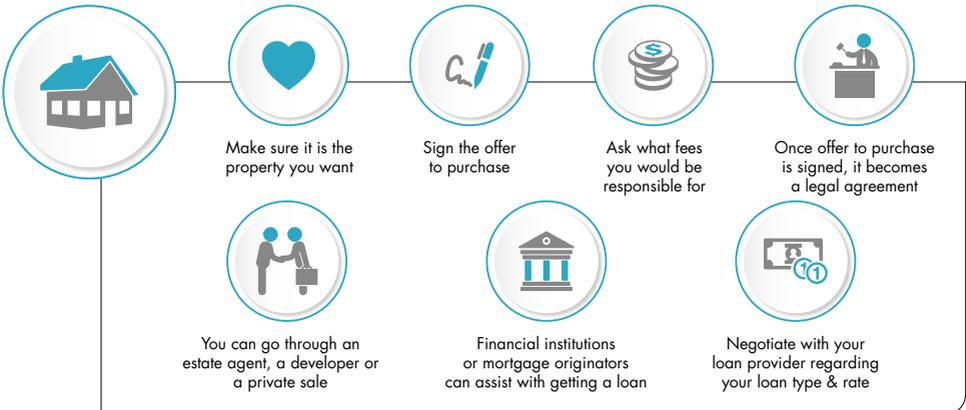
The executor is the person you choose to ensure that your wishes are carried out. They could be a family member, a friend, an elder, a priest or a lawyer. You should speak to them about what it means to be an executor before you nominate them so that they are aware of what needs to be done and where to find your Will.



## FINDING A PROPERTY



## BUYING A PROPERTY



## BUYING A PROPERTY *continued*

**REQUIRED DOCUMENTS**

	Signed offer to purchase		Bank statements stamped by the bank		Payslips		IDs
	Application form		Proof of residence				

**COSTS TO BE PAID ON APPROVAL**

	<b>DEPOSIT</b>		A down payment or partial payment made at the time of purchase		Difference between the purchase price & the deposit is the home loan		Deposit is normally about 10%
	<b>REGISTRATION COSTS</b>		The bank's attorney fees		Registering the home loan		Incl. stamp duty, postage, VAT & conveyancing fees

**TRANSFER FEES**

	Fee is paid to the attorney		Processing the transfer of property		Calculated on a sliding scale		Based on the amount of the home loan
	The attorney is chosen by the sellers		<b>INITIATION FEE</b>		Once-off fee charged by the bank		Generate the home loan

**SERVICE FEES**

	Monthly fee charged on home loans for a residential property		<b>DEEDS OFFICE FEE</b>		Fees charged by the Deeds Office		Registering the property's new ownership
	<b>PROPERTY VALUATION FEE</b>		Charged by the assessor		For the property assessment		

# NOTES



# KNOW YOUR RIGHTS - YOUR ADVISER MUST ...

- Conduct a needs analysis.
- Protect your best interests.
- Give you enough information so that you can make an informed decision.
- Disclose the commission and admin charges upfront.
- Make sure you fully understand all the terms and conditions of your policy.
- Provide you with all the documentation within 30 days.

Once your investment and net worth start growing, you need to look at ways to protect your assets.

These will include Life insurance, Disability insurance, Retirement and Endowment policies and Medical insurance.

**For more information visit [www.oldmutual.co.za/financialeducation](http://www.oldmutual.co.za/financialeducation) or email [financialeducation@oldmutual.com](mailto:financialeducation@oldmutual.com)**

