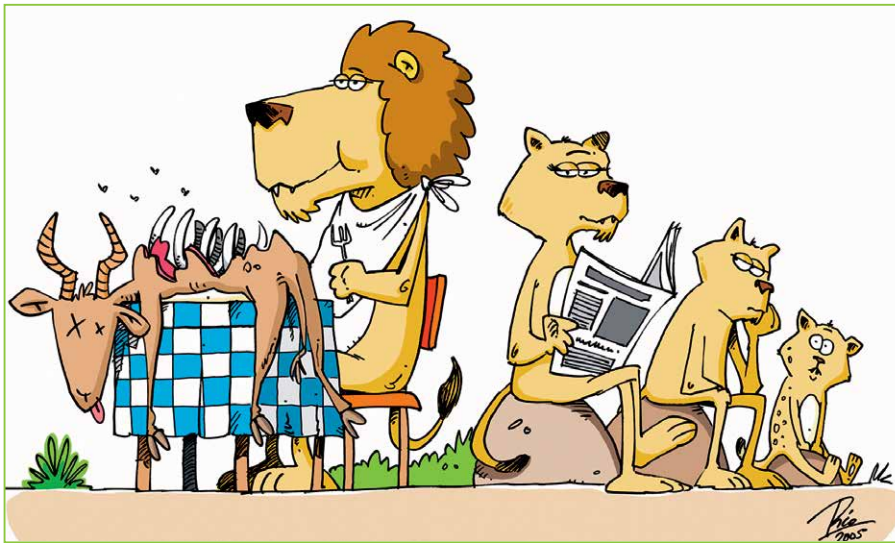


# The Secret of the Lion

“Pay yourself first, live off the rest”



**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 or wages.

## What can I learn from the Lion?

- Lions are the only social wild cats. They live in family groups called prides, which are made up of as many as 12 females and their young, and up to three adult males.
- The lion is the only animal in the world to hunt in packs and then after the hunt, the leader of the pack eats first — all the others back off, so that he can eat first and alone.
- This might look selfish, but the leader always makes sure that there is food for others, and by keeping himself strong, makes sure that he can better take care of his family.

## Objectives of this module

### Introduce the **SECRET OF THE LION**:

#### Learn about:

1. The advantages of getting into the habit of saving first, through an automatic pre-spending savings mechanism
2. Committing to a savings plan
3. The minimum savings level you should have and how to achieve this
4. The different savings vehicles available to you

“I can’t save!” “There’s nothing left to save at the end of the month!” How many times have you heard this? Have you said it yourself? Not being able to save is one of the biggest reasons why some people don’t become wealthy.

Most people understand that they need to save, and save “a little bit” at the end of the month whenever they can. But this often doesn’t work, as there always seem to be other expenses that eat into this amount. The first secret of the Big Five, the **Secret of the Lion**, turns this behaviour around and says “save first”, ahead of all other expenses, and not last, out of any leftovers. Like the lion, which eats first ahead of the pride, you should pay yourself first and save a fixed amount each month. Make this saving an automatic deduction taken from your pay, before you start paying other expenses. By looking after your savings needs first, you are securing the future of your own pride – your family’s future.

The **Secret of the Lion** forces you to change your spending patterns. Even if you start with a small savings amount, you will develop a savings habit. This habit will make it easier to increase your savings over time. If you practise the **Secret of the Lion** and commit to an automatic pre-spending savings plan, you will be well on your way to real wealth and long-term financial security.

But I don't earn enough to save!

But why must I save?

How much must I save?



Where do I put my savings?

But I'm always short of money!

What do you mean by automatic savings?

## QUIZ: Understanding my savings habit

Take this test and evaluate your personal savings habits. Be honest and tick the answer that is closest to your behaviour.

### 1. Describe your savings plan.

- a) I have none.
- b) I save when I can.
- c) I save a little every month.

### 2. How much are you saving every month?

- a) I am not able to save at the moment.
- b) I save whatever is left at the end of the month.
- c) I save a fixed amount every month.

### 3. Where do you keep your savings?

- a) I have no savings.
- b) I keep it in my bank or in cash at home.
- c) I pay it into a separate account or an investment of some sort.

### 4. What makes you dip into your savings?

- a) I don't have any savings.
- b) Things I want and can't resist.
- c) I only dip into my savings for unexpected emergencies.

### 5. What stops you from saving more money?

- a) I don't earn enough to save.
- b) My family needs always seem more important.
- c) I have budgeted for how much I can save.

## Which scenario applies mostly to you?

### I ticked mostly As

You have no savings plan, and are caught in the cycle of just living from month to month. If you don't change your savings habit, you will never really be in control of your money – it will control you. You must apply the **Secret of the Lion** now and Save First, Save Automatically.

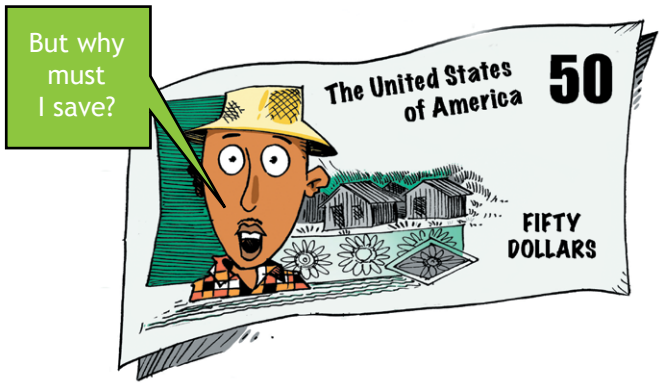
### I ticked mostly Bs

You understand the need for savings, and try to save whenever you can. You will find it helpful to practise the **Secret of the Lion** and make your savings a regular, fixed and automatic priority.

### I ticked mostly Cs

You are well on your way to understanding and applying the **Secret of the Lion!** Remember to review your savings plan regularly so that it keeps up with your income. When you get an increase, add a little bit to your automatic savings.

## Why do I need to save?



**The Secret of the Lion says that we must pay ourselves first and save in order to protect our family's future. But what is it that we need to protect ourselves from? How prepared are you for these life-changing situations? Ask yourself:**

- What if I lose my job?
- What will happen to my family if I die?
- How will I pay any unexpected medical bills?
- Where will I get the money to pay for any major car or house repairs?

We don't only need to save for disasters and emergencies, we also save to improve the quality of our lives in the future, and achieve some of our dreams. Tick the goals you want to save for.



We save for emergencies and for a better life for the future. We need to get out of the habit of spending everything now. **Think about tomorrow.** Even if you cannot afford much, get into the lifelong habit of saving. You are never too young to start saving. The earlier you start, the better. So, develop a savings plan **NOW**. This is the first step towards taking control of your future.

# How do I automate my savings?

Most people understand that they need to save, but just can't do it month after month, without a break. To start a meaningful savings plan, we need to **change our savings attitudes and habits**. Savings must become a **priority**. Almost anyone who earns a regular salary is able to save something each month, even if it is only a small amount. Our inability to save is usually because we lack discipline and are tempted by things we see in shops, on TV or magazines. Advertising makes us think we need to spend. In reality, we probably don't need expensive new shoes or a hi-fi and even if we did, cheaper ones are often just as good.



**Paying yourself first, by taking a set amount from your salary on payday, will force you to change your spending. This is a very good thing. Eventually you will forget about your saving and not even miss the money. Psychologically it should just become another "fixed expense" in your budget (the Secret of the Elephant will help you understand budgeting). By paying savings at the beginning of the month, it makes the money unavailable for spending.**

Another important aspect of changing our savings habits is to make the savings **automatic**. You need to decide on a way that automatically deducts the money from your account at the beginning of the month, and transfers it into a savings account or other investment.

If it is not automatic and you have to transfer the money yourself, you will soon find reasons for not transferring it immediately. "I didn't have the time", or "I needed it for new school clothes for the children" and similar excuses will soon stop your savings plan from working.

## Three ways to automate your savings:

1. Debit order
2. Stop order
3. Payroll deduction

There are different ways to make savings automatic:

- Some employers are willing to deduct the money from your salary and pay it into a savings account or investment, but you must ask for this.
- You can go to your bank and arrange a **stop order**.
- Some investment companies ask you to sign a **debit order** for the amount.

By implementing one of these methods, you will be on your way to **disciplined savings**, which is the true **Secret of the Lion**.

## Fact file

### Debit Order

A debit order is an instruction to your bank to pay money from your account into another company's account every month, on the same day of the month.

- The other company makes all the arrangements once you have signed a Debit Order Authorisation Form.
- If you want to change or cancel the debit order, you need to make the arrangements directly with the company and not the bank.
- The company pays all the bank transaction costs with regard to the debit order.
- Make sure you only sign debit orders with companies you really trust, such as investment or insurance companies.
- Always check your bank statement to ensure that the correct amount has been deducted from your account.

### Stop Order

A stop order works in a similar way, but you personally make the arrangements directly with your bank, and not the other company.

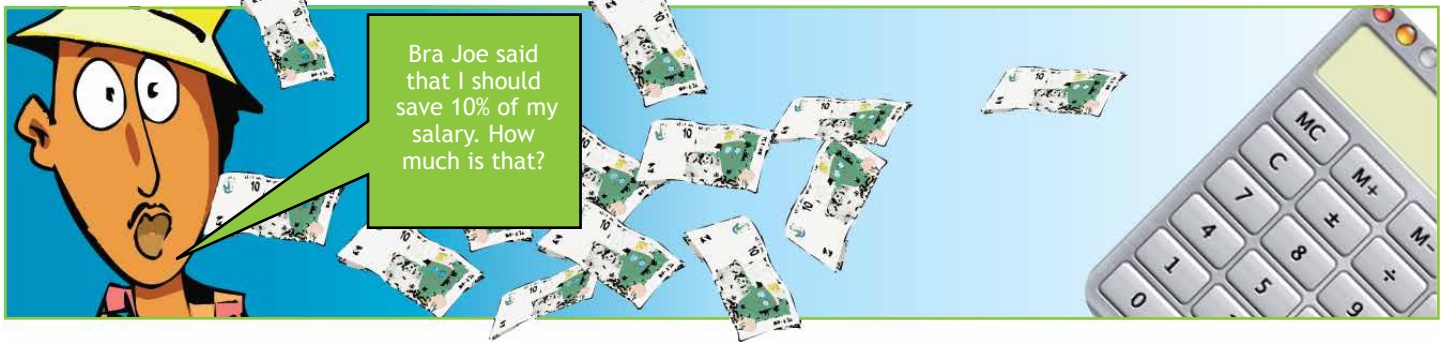
- You have greater control and can change or cancel the stop order directly with your bank at any time.
- The bank will charge you a small fee for this service.

### A Word of Caution!

You must always ensure that you have enough funds in your account to cover all your debit or stop orders. Banks charge heavy penalties if you don't have funds in your account on the day that the automatic payments are due. **DON'T LET THIS HAPPEN TO YOU!**



# How much should I save?



The answer to how much you should save is simple – AS MUCH AS YOU CAN AFFORD. The lion eats as much as he can, because he is not certain of his next meal. Just like the lion, your future is not certain, and the more you stock up now, the better for your future.

Having said that, everyone has different needs and circumstances, which will tell them what they can afford. If you save US\$50 per month on a salary of US\$500, you are doing well, but if this is all you can afford to save on a salary of US\$5 000 per month, you need to examine your expenses carefully and see where you can “cut back”. A great tip is to save between **10% and 15%** of your monthly salary. If that is too much, start with what you can afford. It is better to **start earlier rather than later** and with a smaller amount rather than not at all. You can always increase the amount later, when you can afford more.

**Now look at your own situation and calculate how much you can afford to save.**

**Brezhnev earns US\$3 000 per month working in Bra Joe’s spaza. Work out what you should be saving next to Brezhnev’s savings:**

% x Brezhnev’s salary:	% x Your salary:
1% x US\$3 000 = US\$30	1% x _____ = _____
5% x US\$3 000 = US\$150	5% x _____ = _____
8% x US\$3 000 = US\$240	8% x _____ = _____
10% x US\$3 000 = US\$300	10% x _____ = _____

## Calculating Percentages

A percentage means per 100. So:

$$10\% \text{ is } 10 \text{ per } 100 = \frac{10}{100}$$

$$25\% \text{ is } 25 \text{ per } 100 = \frac{25}{100}$$

To calculate a percentage of an amount, simply multiply the percentage by the amount, and divide by 100 e.g. calculate 10% of Brezhnev’s salary of US\$3 000.

$$\frac{10}{100} \times \text{US\$3 000} = \text{US\$300}$$

**OR**

punch in 3 000 x 10% = into your calculator.

To calculate what percentage a certain amount is of another amount, divide the first amount by the other amount and multiply by 100, e.g. Brezhnev saves US\$100 from his US\$3 000 salary.

$$\frac{100}{3\ 000} \times \frac{100}{1} = 3,3\%$$

**OR**

punch in 100 ÷ 3 000 x 100 into your calculator.

**Brezhnev only saves US\$100 per month of his salary. He should try and add another US\$200 per month to get his savings up to a total of US\$300 per month. This is 10% of his salary.**

## Work it out!

- How much money are you saving each month? \_\_\_\_\_
- What percentage of your monthly salary are you saving? \_\_\_\_\_
- How much do you need to add to your savings to get it up to 10%? \_\_\_\_\_

# Where can I save my money?

It is hard deciding **where** to save. There are thousands of options, with different degrees of **risk**. When you start saving, you want to make sure your money is safe and earns good interest. Some investments go up in value very quickly, but can also just as easily lose a lot of their value. These are called "high risk" investments. Until your savings plans are well under way, it is best to steer clear of them. Remember the saying, "If it sounds too good to be true – it probably is." Many people have been cheated out of savings by promises of doubling their money quickly. It is easy to be tempted by promises of getting rich, but in reality, people investing in "get rich quick" schemes lose their money fast.

If you are **starting to save**, begin by putting your money into **safe investments** such as those offered by the banks or post office. Once you have got into the savings habit, you can look at other investments. Read about some of these options and think about the questions that follow.



## Some ways to save

### 1. The Piggy Bank or Mattress Method

This is a very high-risk way to save money. If you hide your money in your cupboard, under the mattress, or in a piggy bank, it could easily be stolen or destroyed, e.g. fire. Your money cannot grow, as it will earn no interest at all, but the highest risk of all is that you will be tempted to use it.

**This is not a wise investment.**

### 2. The Savings Club Method

Savings Clubs, burial societies, etc. are a popular means of saving money. Members usually know each other well, and contribute a certain amount each month. Members encourage each other, so it becomes easier to save. Members usually take turns to get a lump sum out.

Often no interest is paid on the savings, and it usually runs on a trust basis. There are usually no written contracts and no protection if your money is stolen.

This could be a useful way of saving for something in the shorter term, but you should also have your own savings plan and accounts.

**This method is useful for short-term savings.**

### 3. A Savings Account at a Bank or Post Office

This is a good way to start a savings plan. It is relatively easy to open, and you can usually access your savings

account through an ATM card. You will probably need to keep a minimum amount of money in it to keep it open. There are usually no restrictions about when you can withdraw your money. A savings account doesn't earn much interest.

**A good way to start saving your money!**

### 4. Notice Deposits

You can invest your money at the bank or post office at a better rate of interest if you take out a notice deposit. Depending on the terms of the account, you will have to give the bank the required period of notice, usually 32 or 60 days, if you want to withdraw your savings.

**Useful for saving a lump sum that you need in the future.**

### 5. Fixed Deposit

Once you have accumulated a certain amount of savings, you might want to invest a lump sum at a higher rate of interest with your bank or the post office. This means that your savings will grow more than in a savings account, but you will not be able to withdraw it for a fixed period of time, e.g. 6 months, or 1 year, depending on the terms.

**A safe way of saving for the medium to longer term.**

### 6. Government Bonds

Bonds are a safe, risk-free way to save money for the medium term. They are fixed-term investments with a fixed interest rate, as decided on the day you purchase



# Where can I save my money? continued

the bond. The Zimbabwe Government issues bonds for different periods – 2 years, 3 years and 5 years. They are easy to buy, provided you are a Zimbabwean and they usually require a minimum investment of US\$1 000.

You can withdraw your money before maturity date, but you will have to pay a penalty, so try not to do it.

## A good medium-term investment.

### 7. Retirement Annuities (RAs)

There are two main ways to save for retirement. If your employer has a pension or provident fund, you will probably be forced to join it. If not, a good option is to take out a retirement annuity policy with an insurance company. This is a contract where you pay an amount each month into the RA, and the insurance company invests it wisely and makes it grow for you. On retirement – usually at age 55 or 60 – you will get paid out a monthly pension for the rest of your life. (You will also be able to take a lump sum of 1/3 of the savings amount on retirement.)

The Zimbabwean Government encourages this type of savings and will give you a tax deduction on your monthly contributions.

Remember, you cannot draw any money from this type of savings until age 55 or 60, making it a good way to save for your old age.

**Make sure you fully understand the conditions of an RA before signing one.**

### 8. Unit Trusts

Unit trusts are a way to buy shares and bonds, without knowing too much about the stock market. Your money is pooled with other people's money, and is used to buy and sell shares and bonds. The value of unit trusts should increase over time as interest and profits from the shares are added.

Unit trust growth is not guaranteed, and could even

decrease in value, if the shares it has bought are not doing well, or the stock market "crashes". Unit trust savings must be a longer-term investment, where you are prepared to leave the money to smooth out the "highs and lows" of the stock market.

A unit trust is very flexible and you can change your savings amount at any time. You can also sell your unit trusts whenever you want, although the costs of buying and selling must be considered. There are many unit trusts to choose from, and you need to consult an adviser to decide which type will suit you best.

**A good way to grow your savings if you can afford to take some risks.**

### 9. Endowment Policies

One way to save for a specific goal like a car, education or a deposit on a house, is to take out an endowment policy with an insurance company. The policy will be for a fixed period, e.g. 5, 10 or more years. You pay an amount into this policy every month for the whole term, and at the end of the period, you will be paid out a lump sum.

This is a binding legal contract where you will pay commission to the broker who sells you the policy. There will be heavy penalties if you stop the policy before the end of its term. However, your savings will probably grow by a higher amount than in a normal savings or interest-bearing account, although this is not guaranteed. This is a slightly higher-risk investment, but if you are prepared to stick with it for the whole period, it is a very good disciplined way to save money.

**Be warned – this is a serious commitment! Don't stop and start, because you will lose!**

**Once you have some secure savings, you can start exploring some of the many other products and investments available. Speak to your bank, or an investment adviser that you trust.**

## Think about it!

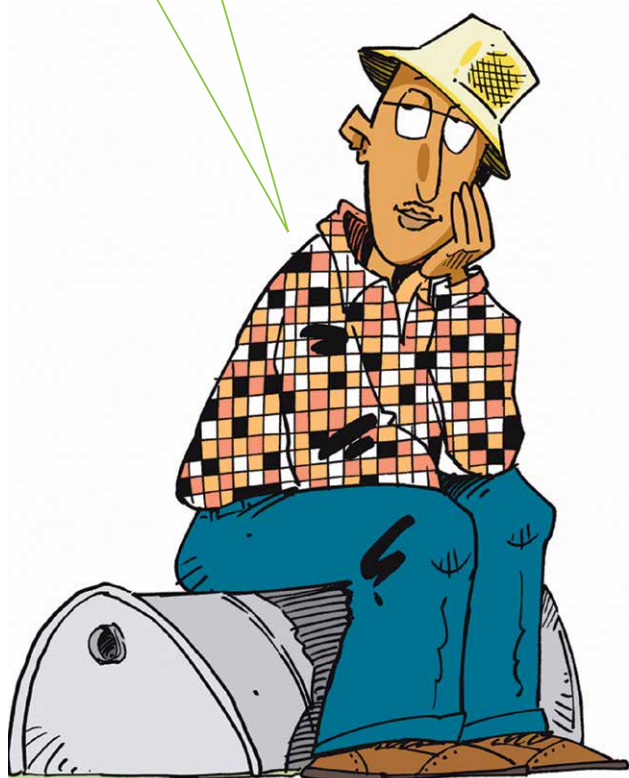
- Where are you saving your money now? \_\_\_\_\_
- Is there a different kind of saving that might work better for you? \_\_\_\_\_
- Do you understand the advantages and risks of your savings method? \_\_\_\_\_



# How do I make my savings habit stick?

Once you start saving, you will need to examine how committed you are to a savings plan. We all use excuses or have psychological barriers that stop us from saving. Tick the excuses you have used before.

- I don't earn enough.
- It seems selfish to pay myself first.
- My children always seem to need something new for school.
- I have so many debts to repay.
- I don't know how to work out what I can afford – there is never any money left.
- Now that I am a single parent, there is never enough money.
- I don't have the time at the beginning of the month to organise my savings.



## How to stick to your savings

1. Remember the **Secret of the Lion** – PAY YOURSELF FIRST, SAVE AUTOMATICALLY.
2. Remind yourself – you are not being selfish by saving. You are ensuring your and your family's future needs are met.
3. Arrange an automatic savings transfer, immediately after payday.
4. Put your money in a safe interest-bearing place where you can't be tempted to use the money.
5. Once you have done this, re-budget your monthly expenses carefully – which ones can you really cut back on – perhaps on your cellphone, clothing, entertainment, etc.
6. Try not to open clothing and furniture accounts! They just tempt you to buy with money that you don't have. You will be caught in a cycle of wasting big money on interest on your loans and debts.
7. If you have short-term debts or loans, sacrifice now and pay them back as quickly as you can. They are very expensive because of the high interest charged.
8. When you are tempted to spend, think of your longer-term goals. Picture yourself in the future. Spending now can destroy these goals.

**Almost everyone, no matter how much they earn, feels that they don't earn enough. The reality is that anyone can save with a bit of discipline and commitment. Of course, it means that we might have to sacrifice some of our less important spending, but the benefits in the long term will be well worth it. Not only will you be more financially secure – you will also sleep better!**

## This is what some people say about their savings success

- I was without a job for 6 months, and managed to keep my family going – thanks to my savings!
- My savings are putting my daughter through university at the moment!
- I have just bought a car for cash thanks to our 3 years of savings. I avoided paying thousands in interest!









