

DEALING WITH DEBT



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Smart ways to reduce debt

43%

Did you know?

- On average, employees spend 13 working hours a month worrying about finances
- Over 9 million South Africans are behind on debt repayments
- 43% of people end their first marriages because of financial issues

Accessing credit is a reality for many people and it can either add value in your life or work against you, if your debt levels get out of control. Managing credit in a responsible way is an important part of ensuring financial well-being. By sacrificing something, however small, you can make a dent in your debt. If you don't have extra cash to boost your retirement savings in your monthly budget, think about giving up something and putting that money towards your savings.

Here are some ideas (based on a cost assumption of five days a week over four weeks):

- 1 Smoking one less box of cigarettes per week (at R40 a box) can save you **R160 each month.**
- 2 Making your own take-away coffee instead of buying a take-away cappuccino (at R28 a cup) every work morning can save you **R560 each month.**
- 3 Eating one less takeaway burger per week (at R43 a burger) can save you **R172 each month.**
- 4 Boiling and bottling your own drinking water instead of spending R10 for a bottle of water daily can save you **R200 each month.**
- 5 Reducing your data consumption by R35 a week (that's 100 MB per week) can save you **R140 each month.**
- 6 Packing your own work lunch instead of buying lunch is cheaper, especially if using food you already have. For example, not spending R25 on a pie and coke once a week can save you **R100 each month.**



If you were to implement all of these ideas, you could save over R1 300 a month or nearly R16 000 each year!

What is debt review?

As you know, one of the first steps to securing a lifetime of financial well-being is drawing up a basic budget which includes groceries, school fees, rent and other necessities. When life throws the unexpected at us, however, our budget often flies out the window.



Sometimes, even when we've cut out small expenses to offset emergency spending after a life changing event, we still find ourselves in debt that gets harder and harder to get out of. If you find yourself in this situation, perhaps it's time to consider debt review.

Debt review, otherwise known as debt counselling, is a debt solution targeted at South African consumers who are over indebted and struggling to manage their finances.

The *National Credit Act* introduced the formal debt rehabilitation programme, debt review, to prevent consumers from being placed into personal administration and having to deal with the long-term effects.

The process was also implemented to make sure that debt counsellors follow strict and ethical guidelines when assisting clients with improving their financial well-being.

Debt review is the process whereby a debt counsellor assesses a client's outstanding debt and implements a restructured debt repayment plan. This will be done through the process of renegotiating with credit providers to extend the debt repayment terms.

A new affordable monthly budget and payment plan will be drawn up by a debt counsellor, which will provide the client with the correct guidelines and means to live off.

In addition to this, the debt review process entails that the client makes only one monthly debt repayment to a payment distribution agency. This agency will then pay all the client's credit providers. This reduces the stress of having to keep up to date and on top of multiple debt repayments.

Although being under debt review does affect your credit score, it will only be affected for the period of time that you are under review.

Most importantly, when under debt review, clients are legally protected by the *National Credit Act* and creditors are no longer allowed to hassle them.

Adapted from the Debt Busters website (www.debtbusters.co.za)



A little goes a long way when saving for retirement

You might think R150 is not nearly enough to boost your retirement savings each month, but think again. Over the long term, this amount could become a rewarding nest egg.

For the cost of a few cappuccinos or a takeaway dinner each month, you could be missing out on the opportunity to turn a relatively small amount into a larger long-term investment. The key is to visualise short-term rewards versus long-term pay-backs to understand the effect of compound interest and how small sacrifices now can make a big difference later.



Adapted from the BusinessTech website (www.businesstech.co.za)



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TO US**

If you'd like to speak to a financial adviser, you can contact the Alexander Forbes Individual Advice Centre on 0860 100 444 or email iac@aforges.co.za

