

African Bank Limited press release

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### **Find your financial freedom this Freedom month**

On 27 April we are celebrating Freedom Day, commemorating the day in 1994 when the first democratic election was held in South Africa. For all South Africans it is an important reminder that "freedom" is a basic human right and should mean emancipation from poverty, unemployment, racism, sexism and other forms of discrimination.

As we celebrate Freedom month now would be a great time to have a look at your finances and get a plan in place to become financially free. "Budgeting, saving, clearing debt and consolidating loans are all ways to find this financial freedom," says Mellony Ramalho, African Bank's Group Executive: Sales, Branch Network.

She adds that whatever financial situation you may be in, having a plan in place and sticking to the plan is the answer. "You need to sit down and have a good, honest look at your finances. If you've never drawn up a budget now is the time to do it. The 50/20/30 rule is a good one to follow. Basically, this rule states that 50% of your budget should go towards paying your fixed expenses (ie bond, rent, car repayments etc), 20% towards your savings and investments and, finally, 30% should be reserved for any additional costs that vary from month to month, such as petrol, groceries, entertainment, eating out, etc."

Ramalho says learning how to budget properly and sticking to a budget is a discipline that you should practice everyday. "A budget should make provision for the here and now, but also include room for future goals like retirement or education. How well you manage your money and payments now will determine your future financial wellbeing."

There is no denying the fact that there are months where saving money seems impossible. "However, regardless of the financial pressure that we may feel come month-end, it is also important to remember that saving should take priority," stresses Ramalho. "Not only will a substantial savings account assist in preparing us for the future but it also opens the door to make dreams and aspirations a reality."

If you find you are drowning in debt once you've done your financial assessment, look at ways to deal with it. "If you are feeling overwhelmed and unsure of how to move forward, speak to an expert. It is so important that you don't skip payments, make short payments or make late payments. This not only causes unnecessary harassment from creditors, it also brings down your credit score which may potentially put you in a position of being declined credit should you need it in the future. Paying the minimum required instalment every month will assist you in having a healthy credit score."

Financial institutions offer options to consolidate your loans, which may be the answer for you. "One of the biggest benefits is that instead of having several creditors all with

different credit agreements - all with their own terms, monthly fees and interest rates - debt consolidation bundles these payments into one monthly repayment, often lowering the total monthly repayment (cost of credit) and reducing the monthly service fees to the consumer,' explains Ramalho.

Once you have got on top of your debt, beware of the credit seduction, warns Ramalho. "Credit can be very enticing but you should never extend your credit just because it is offered to you. Credit is expensive. Also understand that plastic money - store cards and credit cards - are debt - and debt is expensive."

"Remember that you are working towards financial freedom and financial freedom is all about self-control and living within your means. The trick is to differentiate between what are essentials and what you can live without. By cutting out small expenses every month you can save a whole lot in a year. If you are considering a loan for something specific, make sure you weigh up all the costs and know you can afford it before starting the application process. Think rationally and not emotionally. Emotional decisions can often be hasty and we deal with the consequences later. Let's all work towards releasing ourselves from the stresses of financial burdens this month," she concludes.

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