

African Bank Limited press release

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Taking control of your money and payments

Making sure you have control over your money and not letting your money manage you may seem like the most sensible thing in the world - but how many of us really are able to balance our money management effectively?

According to African Bank Group Executive: Sales and Marketing, Alfred Ramosedi, money management begins with knowing where your money goes. "Good money management revolves around making choices: living within your means, saving for rainy days, managing your credit and repaying monthly instalments," says Ramosedi.

Having too much debt can negatively impact your finances so it is important to follow some simple guidelines.

- Firstly make a list of all your debts with their monthly instalments. Ramosedi says the trick is to try and pay off all the small debts as soon as possible while maintaining monthly payments on the rest of the debts. Ideally you should prioritise your debt. Either pay off the smallest debt first or the ones with the higher interest rate.
- Remember that certain assets can be repossessed so it is important to make car and house payments, for example, on time. You can even cut many years off your bond repayments if you pay more than your contractual instalment. Paying off these instalments can definitely improve your cash flow.
- Be disciplined and keep to a budget and maximise savings.
- Use your cards responsibly. Just because there is a sale it does not mean that you need to max out your credit cards.
- Always be cautious when you borrow money and make sure you consider your options through authorised financial services providers that are registered with the National Credit Regulator.

Now that you understand your debt you can then review the different payment options and select the best one for you. Ramosedi says there are generally four ways to pay off debt - by debit order, cash payment, internet transfer or stop order. Debit orders are great, provided you have enough money in your account to cover the debit order. "You will pay a penalty fee for a returned debit order," he says. Cash payments make sense but again payments must never be late as this will reflect on your credit bureau status. Finally internet transfers are very popular and beneficiaries can be loaded on your internet banking profile. "It is a great way to pay retail accounts and credit cards as you avoid standing in long queues to pay cash," says Ramosedi.

Finally one can select a stop order. Here your bank as an account holder, pays a specified fixed amount on a specified date towards a creditor or loan agreement. "Remember banks do require written notification and when you require changes regarding date or payment amount of the stop order, you need to notify your bank and sign a new instruction form that mandates your bank to do so," says Ramosedi.

Having reviewed and selected your various payment options you are more than halfway to managing your debt effectively.

Whatever the option of choice, you need to be disciplined and always ensure instalments are paid on time, every time. “To avoid additional interest and fees we recommend you try and pay your debt as soon as you receive your salary. The more organised you are the more in control of your money you are.”

Ramosedi says when you are unable to make a full payment, it is just as important to act pro-actively before defaulting. “We advise people to quickly set up an action plan in line with their budget and what they can afford. This will help them have control over their money and situation. Paying something is always better than paying nothing.”

If you are struggling there are a couple of important steps to follow:

- Find out from your credit provider if they can give you a payment break on your loan to recover from your short-term distress. It is worth making a face to face meeting with your creditors to present your plan but be careful about making empty promises.
- A longer-term solution is to ask your creditor to reduce your instalment by extending your term or lowering the interest rate, or both. This will then increase interest and the total cost of the loan, but will make it more affordable to repay every month.
- If you have credit life insurance for your loans, make sure that you act quickly in the event of death, retrenchment, disability, short-term loss of income or dismissal.
- Another option is to consider debt consolidation. This entails taking out one new loan to pay off many others. Usually the consolidator will obtain settlement quotes from your creditors and will settle these debts for you. Many people use this option because they prefer to have one loan to repay instead of many. Remember, however, that not all providers are able to consolidate all debt and often a consolidation loan is dependent on a number of qualifying criteria.

Repairing your credit is not an overnight thing. It is an on-going process that you must approach with determination, diligence and discipline with the support from your creditor. “It is certainly worth maintaining a good credit record,” says Ramosedi. “Not only does it improve your ability to obtain credit in the future but it saves on any additional fees and charges and provides you with the potential to be offered lower interest rates in the future.”

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