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Bruised and battered but never beaten - relook your financial goals now

Many hopes and dreams have been cut short by the Covid-19 pandemic and just over a year later, the latest research from Trans Union says as many as six out of ten SA households say their household income has been negatively affected by the Covid-19 pandemic. Only 3% of surveyed households indicated that their finances have fully recovered from the negative impact of the pandemic, and just over half (51%) said they have not yet recovered. Despite this, nearly eight out of 10 (76%) South Africans are optimistic about the future, with 54% feeling confident that their household finances will fully recover in the next 12 months.

“This is good news,” notes Neil Thompson, Head of Product and Customer Value Proposition at African Bank, agreeing with Trans Union that SA consumers are resilient. He advises consumers to think about how lessons learnt in lockdown can help them achieve their dreams in 2021.

“Why not see this year as an opportunity to re-evaluate your financial goals and look at them with a more critical eye, using the money lessons which have emerged from Covid-19?” Thompson says.

Recognise any of these 6 important Covid-19 money lessons?

1. Saving for emergencies is very important.
2. Having the right funeral cover in place is very important.
3. Good medical care when you need it, is priceless.
4. Being open and honest with creditors when you fall on hard times is important.
5. Being able to continue providing for your child's education in hard times is important.
6. Taking time off to enjoy a family holiday is important.

Thompson dissects each of the 6 money lessons offered:

1: Emergency fund – This is a straightforward savings plan. Put money into a high-interest bearing savings account each month and have peace of mind you have something to fall back on in the event of an emergency (big medical expenses or car problems, school admission fees or uniform costs, or even sudden retrenchment).

2: Funeral cover - Good financial planning for the future should always include an emergency savings fund and the right funeral plan. Everyone wants to give their loved ones a dignified burial and a family which is not prepared for funeral costs will have to go into debt - which can have long-term implications.

3: Good medical care - Medical aids do not cover every health problem. By saving an additional amount each month, you can top-up your medical aid yourself and be sure your loved ones get the care they need when they need it.

4: Speaking to creditors – You cannot hide from debt. By speaking to your creditors during tough times, you may be eligible for cover such as Credit Life insurance. Credit Life is insurance cover a consumer is compelled to take up when applying for a credit card or a loan. Banks assess each situation individually and confirm whether customers are eligible for benefits or not.

5: Paying for education - Ideally, parents should start saving for their child's education from the day the child is born. Good education in South Africa is expensive and excludes many other fees, like text books, exam fees and extra-murals. Open a high-interest bearing savings account when your child is small and stay committed to depositing money in each month. While education becomes more expensive each year, you will give your child an exceptional head start in life by being able to afford quality education.

6: Family holidays – Many holidays had to be cancelled this past year and the money spent in other ways. Considering the impact of the coronavirus on the world and family units, why not commit to putting money away to really spend quality time with your family as often as possible?

“These are just some of the ways you can smooth your financial path this year,” Thompson says. “Five of these tips are a lifeline to good financial health, now and in the future.

“The sixth tip – family holidays – is a lifeline to good mental and spiritual health and also an opportunity for the family, as you grow older together, to all save and commit financially towards these special occasions.”

ENDS

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PREPARED ON BEHALF OF AFRICAN BANK BY CATHY FINDLEY PR. CONTACT JACQUI RORKE ON JACQUI@FINDLEYPR.CO.ZA OR (011) 463-6372 WITH ANY CONSUMER PR QUERIES.