

# OLD MUTUAL ON THE MONEY



**THE BIG 5 SECRETS OF MONEY MANAGEMENT**

**A FINANCIAL BEHAVIOUR CHANGE EXPERIENCE**



Bankseta accredited



**OLDMUTUAL**



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## Why the “**ON THE MONEY**” approach to money management?

**OLD MUTUAL’S RESEARCH HAS SHOWN THAT POOR FINANCIAL HABITS ARE AT THE ROOT OF POOR MONEY MANAGEMENT. MANY PEOPLE KNOW WHAT TO DO - THEY HAVE BASIC KNOWLEDGE AND MOTIVATION - BUT THEY WIND UP NOT DOING IT.**

**ON THE MONEY** targets this by helping people see how easy it is to start new habits and break old approaches. The **ON THE MONEY** programme is accredited by Bankseta and is National Qualifications Framework aligned. By focusing on actual behaviour change, Old Mutual is putting a considerable investment into breaking the cycle of generational poverty.

The **ON THE MONEY** series concentrates in particular on helping people to get into saving habits and get out of debt traps.

### **OBJECTIVES OF THE PROGRAMME**

- To help people break old habits that get in the way of financial stability and establish worthwhile new ones.
- Teach the habit of pro-active saving - the basis of all good money management.
- Show how to get into the habit of creating powerful, clear and specific short, medium and long-term visions that are realistic, achievable and inspiring.
- Show how to get into the habit of charging down your debt as fast as possible.
- Show how to get into the habit of protecting your assets and growing your wealth through wise investments.



# THE SECRET OF THE LION

**THE LION EATS FIRST - AHEAD OF THE PRIDE. YOU TOO SHOULD “EAT FIRST” BY ARRANGING AN AUTOMATIC DEDUCTION FROM YOUR SALARY AT THE VERY START OF THE MONTH, BEFORE YOU SPEND ANYTHING.**

Most people try to save from what is left over after their daily spending. The secret of the lion encourages pro-active behaviour, giving meaning to the idea of “taking the Lion’s share”.

Included in this module are learnings about the different saving vehicles and how to use debit or stop orders to achieve automated discipline and regularity to your saving habits.

The module also looks at how much you should ideally be saving at different stages of your life.

Once you are in the habit of “eating first” you need to think carefully about the pros and cons of various methods of saving.

## **THESE INCLUDE:**

- A savings club or stokvel method
- A saving account at a bank or Post Office
- Notice deposits
- Fixed deposits
- Savings policy

# SAVINGS PROCESS

## 1 IDENTIFY WHAT YOU ARE SAVING FOR

No one starts a long road trip without a map of how they are planning to get to their destination. Saving is the same; you need to have a clear objective of what you are saving for (we will cover this in the Secret of the Leopard). When committing to your savings plan you need to write down each goal/objective you have and the amount you want to save as well as a target date for reaching your goal. You must make these realistic so that you can ensure your success.



Finance journey



Write down goals



Stay focused

## 3 CHOOSE THE APPROPRIATE SOLUTIONS

There are many ways to save, you need to research and find the right one for you. A financial adviser can help you decide on which products or services you should use. For short-term goals you should focus on safety and liquidity rather than growth. For medium-term goals you need to find the right balance between growth and liquidity. Long-term investments are more risky but here you need to focus on growth and leave your money in your investment for many years.



Long-term goal: invest



Medium-term goal: growth and liquidity



Short-term goal: safety



Financial adviser and savings plan

## 2 DETERMINE HOW MUCH YOU CAN SAVE

We will cover this in more detail in the Secret of the Elephant but you need to know what you earn, how much you spend and what you are saving so that you can determine how much you can save. You might need to spend less in order to save the required amount.



Know your income



Know your expenses



Calculate savings



Save more

## 4 MAKE IT AUTOMATIC

As we have discussed, you need to make savings an automatic process. If you get used to the money not being in your account you won't miss it. So feed yourself first and take the savings amount out of your account straight away.



Automate savings



Feed yourself first



Move money to savings

## 5 MONITOR YOUR PROGRESS

Take time out every month to review your savings and see if you are meeting your goals. If you aren't you will need to review your choices and maybe change your investment options. If you are meeting them, or exceeding them, then it will motivate you to continue.



Monthly check-ins



Review savings



Change investment options if needed



Meeting goals will motivate you



# THE SECRET OF THE LEOPARD

**THE LEOPARD NEVER LETS ITS PREY OUT OF SIGHT, PATIENTLY PLANNING AND MOVING TOWARDS ITS GOAL, NEVER BACKING OFF AND STAYING FOCUSED.**

**“OF COURSE I HAVE A GOAL FOR MY FUTURE - I WANT A BETTER LIFE.”**

Does this sound like you? To succeed, you need more concrete goals than this and you need to back your goals with good plans.

The module also looks at how much you should ideally be saving at different stages of your life.

What is your vision of your financial future?

## **THE SECRET OF THE LEOPARD SHOWS YOU HOW TO:**

- Make your financial goals vivid and inspiring, but also concrete and achievable.
- Develop a plan to achieve your goals.
- Get the support you need from others to achieve your goals. Research shows that you are much more likely to succeed if you can ask someone to check in with you and encourage you from time to time.
- Do each of these steps and you will be well on your way to achieving your goals.

## THE LIFE STAGES THAT MAY AFFECT YOUR FINANCES INCLUDE:

BIRTH



SCHOOL



TERTIARY  
EDUCATION



FIRST JOB



NEW CAR



NEW HOUSE



MARRIAGE



CHILDREN



DIVORCE



RETRACEMENT



RETIREMENT



DEATH





Marriage as a life stage system may affect your finances in more ways than you may think at first. When thinking about the relationship between marriage and finance, many people mainly think of the costs of the wedding, but the type of marriage system you choose may also affect your finances.

### THE TYPES OF MARRIAGE SYSTEMS INCLUDE:

**MARRIAGE OUT OF COMMUNITY OF PROPERTY/ANC WITHOUT ACCRUAL**



OWNS EVERYTHING SEPARATELY

**ANTENUPTIAL CONTRACT WITH ACCRUAL**



PROFIT SHARED, NO LOSSES

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**IN COMMUNITY OF PROPERTY**



SHARED PROFIT AND LOSS

**COMMON LAW MARRIAGE**



COMMON LAW MARRIAGE



# THE SECRET OF THE ELEPHANT

YOU KNOW THE SAYING, “THE ELEPHANT NEVER FORGETS”. ITS KNOWLEDGE, AIDED BY ITS MEMORY, IS ITS POWER.

Knowledge is also power for financial planning. If you do not draw up a budget at least once a year, you won’t know if you have, or could get, any spare cash to increase your savings, or reduce your debt.

**ONLY A BUDGET CAN GIVE YOU THAT POWERFUL KNOWLEDGE.**

## **IN THIS MODULE, THE ELEPHANT SHOWS YOU HOW TO:**

- Learn what you earn, know what you owe and comprehend what you spend.
- Use this information wisely to plan your spending in the future so that you can reduce debt, save more, or both.
- Get into the habit of doing an annual budgeting exercise on the same day each year, just as our Finance Minister does an annual budget for the country.
- To help you get into the habit, the module outlines a few simple steps to create a really useful personal budget.

### **STEP 1: LEARN WHAT YOU EARN**

Understand your salary slips and bank statements so you know exactly what is coming “in”.

### **STEP 2: KNOW WHAT YOU OWE**

Record your expenses carefully, so you know exactly what is going “out”.

### **STEP 3: DRAW YOUR FUTURE BUDGET**

Set new targets and limits for certain items.

### **STEP 4: REVIEW YOUR BUDGET**

At the end of each month, compare your budgeted expenses to your actual expenses.



# THE SECRET OF THE RHINO

THE RHINO'S NATURAL INSTINCT IS TO CHARGE WHEN CONFRONTED BY DANGER. WHEN THREATENED, IT WORKS OUT WHAT ITS BIGGEST THREATS ARE AND CHARGES THEM DOWN, TAKING SWIFT CONTROL OF THE SITUATION.

This module looks at how you can get into the habit of reducing debt fast and using debt wisely. Debt is only dangerous if you don't manage it carefully and reduce it as quickly as you can.

## GET OUT OF DEBT - STEP BY STEP

Make sacrifices in the short-term and charge down your debt. These steps can be helpful:

### STEP 1: FACE THE PROBLEM

Know how much you owe.

### STEP 2: SHARE YOUR PROBLEM!

Who can support you while you charge down your debt?

### STEP 3: ADJUST YOUR BUDGET

Revise your budget, so you reduce your spending on just a few items each month. You then use the money you save to charge down your debt faster. By being honest and realistic about your budgeting needs you will be more likely to find ways in which you can cut back on your spending.

### STEP 4: CREATE STRATEGIES TO DEAL WITH YOUR DEBT

You have to work out which debt poses the biggest threat. This is often not the biggest debt you have, but the one with the highest interest rate. You need to charge that one down the fastest!

### STEP 5: NO NEW DEBT!

While you are charging down your debt, learn how to stop yourself from incurring any new debts.

# GETTING OUT OF DEBT



## 1 FACE THE PROBLEM, KNOW AND RESEARCH YOUR DEBT

The type of debt you have, the cost of debt, what you owe, your repayment each month, when you will have repaid the full amount, which debt has the highest interest rate.



## 2 SHARE YOUR PROBLEM. DEVELOP A SUPPORT SYSTEM

This will help keep you focused on your goal of being debt free.



## 3 ADJUST YOUR BUDGET, REVISE YOUR SPENDING

This will enable you to repay your debt quicker.



## 4 CREATE STRATEGIES TO DEAL WITH YOUR DEBT



## 5 NO NEW DEBT. STOP YOURSELF

Stop yourself from buying anything else on credit.

- Which debts pose the biggest threat?
- How do you deal with your creditors?
- What are your options?
- Will you be blacklisted?
- Is there a sensible level of debt?
- What is the sensible level of debt for you?

### CALCULATE YOUR DEBT RATIO

1. Work out your total monthly debt repayments

2. Work out your total monthly income

3. Work out the relationship between your total monthly income and your total monthly debt repayments

(Debt/Income)	
x	100%
x	%



### WHAT IT MEANS: PERCENTAGE OF INCOME USED FOR MONTHLY DEBT REPAYMENTS

#### 0 - 30%

This indicates you are mostly responsible about money. Debt is under control and you plan for the future.

#### 30 - 36%

Heading towards danger. 36% is the "magic number" in this ratio - higher than this and you could be in trouble.

#### 37 - 50%

#### ANGER

Potential to be out of control. Reduce debt fast and do not take on new debt.

#### + 50%

Requires Immediate Action. Debt is out of control and causing serious financial difficulty.

## CREDIT BUREAU INFORMATION AND RETENTION PERIODS

Credit bureaus have a profile on each person who has borrowed money (credit/loan/has an account) that contains information about their payment history. This information is updated regularly and is made available to companies on request when they want to know whether to grant someone more credit or even when they apply for a job. The report shows your creditors whether or not you pay your debt on time.

## THE OTM PROGRAMME ANSWERS THE FOLLOWING QUESTIONS:

- How long should information be kept by a credit bureau?
- Why does the credit bureau keep information?
- How long do default listings stay on your credit record?

## CREDIT CONTRACT

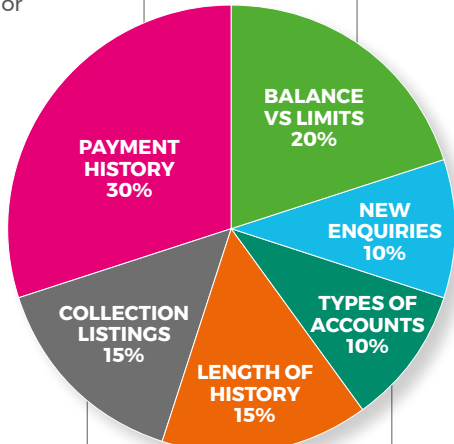
### Things to consider before signing any credit contract

- Always think before signing any credit agreement.
- Do not sign immediately or if you feel that you are under pressure to sign.
- Take your time to thoroughly read and understand the terms and conditions of the contract.
- If you do not understand something, ask someone for assistance or clarification.
- Even after you have signed the contract, you are entitled to a cooling-off period.



## FACTORS THAT AFFECT YOUR CREDIT SCORE

- Payment history accounts for 30% of your credit score.
- Always pay before or on the due date.
- Always pay the minimum due or more.
- Never skip a month.



The credit you use should always be within the credit limits you were granted. Exceeding the credit limit will lower your credit score.

Too many enquiries in a short time will lower your credit score.

There are many high risk types of accounts such as microloans (payday loans) which lower a credit score rating. However, lower risk secured loans such as homeloans increase your credit score.

Collection listing such as a default: adverse behaviour, enforcement actions, administration orders, debt review notices and sequestration will lower your credit score.

Too short or no credit history can also negatively affect your credit score.

# STEPS TO IMPROVE YOUR CREDIT RECORD

## SIX-STEP PLAN TO FINANCIAL FREEDOM



### 1 GET TO KNOW YOUR CREDIT REPORT

You are entitled to a FREE credit report from each of the four major credit bureaus every year. Critically analyse the information on the credit report. Lodge a dispute for any incorrect information or unfair credit information.



### 2 DRAW UP A BUDGET

Learn to live within your means. Work out exactly what you NEED. Identify unnecessary luxuries to cut out in order to pay off bad debt or pay debt quicker.



### 3 FACE ALL YOUR DEBTS

List all your debts. Never run away from your creditors. Always communicate with your creditors and confirm in writing. Consider consolidating the debts into one loan.



### 4 WHEN YOU HAVE EXTRA INCOME

Target your high interest bearing debt and pay it faster. Pay more than the required monthly instalments and save on future interest that would have been charged by the creditor. Or consider consolidating the debts into one loan.



### 5 WHEN YOUR FINANCES ARE TIGHT

Identify opportunities to increase your income. Negotiate for lower instalments or consider your legal options to protect you against legal actions such as approaching a debt counsellor for advice or assistance, debt review, administration or sequestration.



### 6 WHEN YOU DON'T HAVE AN INCOME

Advise your creditors in writing that you are unemployed, follow up to make sure that they acknowledged (received) your communication. Try to find a part-time job while looking for a permanent job. Keep your creditors informed of any change to your details or circumstances. Understand that you will still receive communication from debt collectors as debts are not automatically written off due to unemployment.



# THE SECRET OF THE BUFFALO

THE MIGHTY BUFFALO STEADILY GROWS ITS HERD AND DILIGENTLY PROTECTS ALL THE MEMBERS OF ITS FAMILY BY FINDING STRENGTH IN NUMBERS.

In this module, you'll discover how to get into the habits of investing in careful, well-planned, but effective investment products. You'll find out amazing ways to pool your strengths with others, in the form of simple insurance for your assets, including protecting your own earning power.

**THE SECRET OF THE BUFFALO** allows you to understand the three critical elements of any investment: the level of risk, the rate of return, and the amount of time you have to invest.

In order to follow the buffalo's example, you will need to assess and protect your assets so that your family remain financially secure. What follows will give you an indication of a few of the things you should think about.



# ESTATE PLANNING

## REVIEW BENEFICIARIES

As your family situation changes over the course of a lifetime, you may need to change the names of beneficiaries not only in your Will but also in life insurance policies and other documents that list beneficiaries, such as trust deeds and group life funds.

## ESTATE TAXES

There are various ways to limit the taxes payable on your estate (such as estate duty and capital gains tax) depending on the size of your estate and your family situation. It is worthwhile to discuss the options with your financial adviser.



## GUARDIAN AND MINORS

This issue is often overlooked by parents, especially as a surviving parent remains guardian in the event of the death of the other parent. However, couples should always choose a guardian for their children just in case they should both pass away. Parents who have minor children, need to take special consideration when deciding who will take guardianship of their children in the event that they die. Their nominated guardian should be stipulated in their Will. The person nominated must be willing to be the guardian.

## REVIEW/UPDATE YOUR WILL

Having a Will is the cornerstone of any estate plan. For anyone with children the consequence of not having a Will may be devastating. Once you have a Will, it is important to review it regularly, especially if you go through a life stage or job change. Also ensure that your family know where to find your Will when you aren't around to show them. It is a good idea to chat to your family about your wishes, although this is a personal decision.

### SAFE STORAGE



## EXECUTOR



## THE EXECUTOR

The executor is the person you choose to ensure that your wishes are carried out. They could be a family member, a friend, an elder, a priest or a lawyer. You should speak to them about what it means to be an executor before you nominate them so that they are aware of what needs to be done and where to find your Will.

## RECORD-KEEPING

It is a traumatic time for the surviving family when someone passes away. It is essential to create a list of where all-important information can be located and give the list to someone you trust.

# PROPERTY

## FINDING A PROPERTY



## BUYING A PROPERTY



## BUYING A PROPERTY CONTINUED

### REQUIRED DOCUMENTS



Signed offer to purchase



Bank statements stamped by the bank



Payslips



IDs



Application form



Proof of residence

### COSTS TO BE PAID ON APPROVAL



**DEPOSIT**



A down payment or partial payment made at the time of purchase



Difference between the purchase price and the deposit is the homeloan



Deposit is normally about 10%



**REGISTRATION COSTS**



The bank's attorney fees



Registering the homeloan



Incl. stamp duty, postage, VAT and conveyancing fees

### TRANSFER FEES



Fee is paid to the attorney



Processing the transfer of property



Calculated on a sliding scale



Based on the amount of the homeloan



The attorney is chosen by the sellers



**INITIATION FEE**



Once-off fee charged by the bank



Generate the homeloan

### SERVICE FEES



Monthly fee charged on homeloans for a residential property



**DEEDS OFFICE FEE**



Fees charged by the Deeds Office



Registering the property's new ownership



**PROPERTY VALUATION FEE**



Charged by the assessor



For the property assessment

# KNOW YOUR RIGHTS

## YOUR ADVISER MUST:

- Conduct a needs analysis.
- Protect your best interests.
- Give you enough information so that you can make an informed decision.
- Disclose the commission and admin charges upfront.
- Make sure you fully understand all the terms and conditions of your policy.
- Provide you with all the documentation within 30 days.

Once your investment and net worth start growing, you need to look at ways to protect your assets.

These will include Life insurance, Disability insurance, Retirement and Endowment policies and Medical insurance.

**For more information visit [www.oldmutual.co.za/financialeducation](http://www.oldmutual.co.za/financialeducation) or email [financialeducation@oldmutual.com](mailto:financialeducation@oldmutual.com)**

