By Jana Jacobs

Breaking bad money habits

Not everyone is a natural-born savvy saver, and sometimes just paying the bills and not using your credit card is a win for the month. But taking control of your finances is liberating and can start simply.

No matter which way you look at it, things are tough economically in South Africa. We are constantly being reminded to tighten our purse strings, shrink that budget and live more frugally. Oh, and while you're at it, don't forget to save for emergencies and retirement.

This is a tall order when prices keep rising, but your salary isn't.

All of this can be quite panic-inducing. So how do you foster that coveted self-discipline to manage your money?

From the small, obvious daily habits, to the bigger financial decisions – here are some basic ways you can control your personal finances.

Thandi Ngwane
Head of strategic markets at Allan Gray

Try a spending detox

Every cent counts. That doesn't mean you can't enjoy life, but small changes can make it that much easier to start saving – no matter how small the amount. A spending detox is a good way to reign in unnecessary spending and break the habit of swiping your card at every retail temptation, says Thandi Ngwane, head of strategic markets at Allan Gray.

"It may be tough to make space in an already stretched budget," acknowledges Ngwane, "but taking small steps to develop a lifestyle of saving will make a big difference."

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Once you have begun freeing up disposable income, it's a good idea to set up a debit order for your savings, she says. "That way the money leaves your account every month, without having to be prioritised in a long list of obligations. While you're at it, it's a good idea to add an annual escalation to your debit order to increase your savings every year."

Yolande Botha, head of wealth management at Galileo Capital, suggests investigating your spending. "Three months' bank statements should give you a clear idea of what you spend your money on. See if there are any frivolous spending habits and cut back on those first. Take a close look at monthly contractual payments. Do you hate the gym and never go? If so, then why pay for it?"

Yolande Botha
Head of wealth management at Galileo Capital

Emergency savings

Whether it's a tyre that's popped and needs replacing, or your pet that needs medical treatment – there will come a time when you'll need to shell out cash unexpectedly. And you'll need the money on short notice, making a money-market fund the ideal vehicle to keep your emergency savings.

"A money-market fund is a good option as it offers stability from short-term market volatility and earns higher returns than a bank deposit," says Ngwane. Your money is also easily accessible here, according to Sonia Du Plessis, financial planner at Brenthurst Wealth.

Craig Gradidge, co-founder of Gradidge-Mahura Investments, agrees that a high-yielding and liquid money-market account is where you should start. "Once your balance sheet grows, [you] can seek higher-yielding, riskier options," he advises.

Botha does add that if you are in a position where you have an access bond (essentially a withdrawable home loan), this is the best place to keep your emergency savings.

Personal loans

In a perfect world, your emergency savings should be enough to cover unexpected monetary needs, but it may not be. This is when personal loans can become very attractive lifelines, but are they a viable solution?

Gradidge believes that "if used wisely, personal loans can be a very good thing. Personal loans per se are not the problem, it is how they are used which can be problematic."

Magnus de Wet, founder of Vista Wealth Management, also believes personal loans can serve a purpose: "I'm in favour of these types of loans, especially for clients who do not have an emergency fund in place. A pre-approved loan from your bank could be used as an emergency fund in the event of a personal financial calamity, such as the loss of a job, a critical illness or a major repair to, for example, your home or car. The funds can be used to pay for these emergency expenses without having to access high-interest debt options like credit cards or unsecured loans."

But going on holiday with your personal loan, for example, is definitely not what you should be doing. Yet, oftentimes that is exactly what happens, says Botha, who recommends avoiding personal loans.

Du Plessis is also not an advocate of personal loans. "If you do use one, it certainly has to be only because it is absolutely necessary, and you are clear that it is a short-term solution."

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Quickfire personal finance

Try these free apps for budgeting and investing:

APP	DESCRIPTION	RECOMMENDED BY
22seven	Old Mutual's budgeting and investment app	Magnus de Wet
Stash	Round up your purchases to the nearest R10 and invest in SA's biggest companies.	Magnus de Wet
Goodbudget	Personal finance app for budget planning and money management.	Magnus de Wet
MyFinancialLife	Nedbank's budgeting app, which gives you good spending analysis.	Yolande Botha

If you do go this route, make sure you keep monthly repayments in mind, as these need to be factored into your monthly budget. Also take note that if you have a pre-approved loan with your bank, the interest charges will in all likelihood be much lower than those provided by a micro-lender.

Pay off your debt, then invest

There's good debt and there's bad debt. With good debt, there is an underlying asset that grows in value, says Botha, like your home loan.

Bad debt is credit for consumption and it is usually expensive because it's high-interest-earning, explains Gradidge. Credit cards fall into this category. And it's often the latter that can give you sleepless nights.

Du Plessis advises that you should try and stay away from bad debt; advice that Botha reiterates. But sometimes that credit card has been whipped out for more than one emergency, or the planned spending detox hasn't happened quite yet.

So, should you be clearing your credit card balance, or should you rather use the money to invest?

"We recommend that you split the amount you have available and pay half of it towards debt and invest the other half. In this way you can see the debt diminishing, but also have some money available for emergencies and extras so that you don't get more indebted," advises Botha.

> Ideally, you should start saving about **15%** of your salary when you start your first job, but in reality, most people only start doing this in their 40s.

Du Plessis agrees that you should tackle your high-interest-earning debt first, as does Ngwane, "because it usually costs you more than savings gives you."

Drive a car you can afford

Very few people can afford to buy a car cash, which means your car payments (not to mention the insurance and maintenance costs) need to be factored into your monthly budget as well. What you also need to bear in mind is that a car is a depreciating asset, so it's certainly not good debt to take on.

"A car is such a status symbol for most that it is difficult to think rationally about the amount you spend," says Botha. "One way to look at this is to take the money you have after tax and divide it between musts (50%), wants (30%) and savings (20%). This is an easy rule to follow that Elizabeth Warren devised. The musts include housing, schooling, groceries, utilities, and transportation and if you stick to this rule, you will never overspend on a car."

Gradidge's personal rule of thumb is to not buy a car which costs more than a third of his annual salary. "That usually translates into an affordable repayment once I have secured the best interest rate."

Whichever way you go about it, be realistic. If you are getting an entry-level salary, you can't drive an Audi S3.

Craig Gradidge
Co-founder of Gradidge-Mahura Investments

Retirement savings

Not all companies offer pension in remuneration packages, which means you need to take on the responsibility of this saving. In this case, a retirement annuity (RA) should be considered.

"It offers annual tax benefits and is governed by legislation to minimise your exposure to high-risk assets that could compromise your retirement income. You can stop and start contributions as you need to and make additional contributions when you have disposable income available," explains Ngwane. By setting up a debit order for monthly contributions to your RA, this saving happens automatically, adds Botha.

If you find yourself in this situation, it's important to consult a qualified and experienced adviser to undergo a retirement planning process, advises Gradidge. This will also ensure that there will be regular reviews in place to help make sure you are on track with your retirement savings.

Sonia du Plessis
Financial planner at Brenthurst Wealth

Taking ownership of your retirement savings requires self-discipline, and sometimes people are a little late in coming to the party, says Du Plessis. Ideally, you should start saving about 15% of your gross salary when you start your first job, but in reality, most people only start doing this in their 40s, says Du Plessis. Better late than never, though. "It just means that you'll have to put away more than that 15% and you will have to work longer – you won't be retiring at 65."

Final advice when it comes to saving?

"Just start and be consistent," says Botha. ■

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