



YOUR ROADMAP FOR CREATING LIFELONG FINANCIAL RESILIENCE

Life is full of unexpected turns – and expenses! Being prepared for these situations is key to building financial resilience. Here are some tips to make sure you're prepared for (almost) every eventuality.

Many of us have been advised to set aside a portion of our income every month. But in today's economic climate, this can be hard to stick to. With some smart planning and a willingness to cut back on unnecessary expenses, you can set yourself up for success.

There are many reasons why it's important to save money every month. A few include:

To achieve your life goals. There are day-to-day expenses, and then there are the bigger life goals that require a bit more capital, like buying a home or paying for your children's university tuition. Putting money aside every month will go a long way in helping to cover these big expenses when the time comes.

To cover unexpected emergencies. Big, unforeseen expenses – like home and car repairs, medical aid shortfall and unexpected job loss – are a reality. An emergency fund is essential to ease the financial pressure.

To future-proof your life. Whether it's a change of career or retirement, knowing that you have money to rely on every month goes a long way in alleviating stress.

HOW BIG SHOULD MY EMERGENCY FUND BE?

The amount varies greatly depending on your lifestyle, income, expenses and dependants. The general rule of thumb is that your emergency fund should hold three to six months' worth of your monthly expenses.

If you have a stable, predictable income, you may be able to get by with a stockpile on the lower side (three to six months' worth) but if your financial situation is less stable (for example, you're self-employed or a contract worker), aim for savings on the larger end of the spectrum (six months' worth). This may seem like a huge amount of money initially, but there are some strategies to get this fund to where it should be:

- **Start small.** Three to six months' salary may seem like an unachievable goal, but every little bit counts. Start small and chip away at the goal.
- **Put away 'extra money'.** The temptation to spend your bonus money or tax return is big, but rather put it (or at least, most of it) aside into the emergency fund to reach



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- your saving goal faster.
- **Automate your savings.** We get it: it's hard to hit the transfer button and watch the money disappear. Set up a debit order to automatically save the money before you've had time to reconsider it.
- **Review your monthly expenses.** Look for the things that you can cut back on. It might mean eating out one time less in a month or cancelling those unused subscriptions.
- **Opt for higher-interest accounts** so that your money can grow slowly in the background. Ensure that the funds are easy to access in the case of an emergency – not in a 30-day notice account, for example.
- **Keep your emergency fund separate** from any other savings accounts that you have to avoid dipping into it when you need some extra non-emergency cash.

SAVING FOR THE HOLIDAY SEASON

The festive season is known for being an expensive time for South Africans. Summer holidays, travel, more socialising and festive gifting: these expenses all rack up very quickly. Avoid dipping into your savings (and say goodbye to 'Januworry') with these tips:

Be realistic about your budget – and start saving as soon as you can.

- Calculate your additional expenses over the holiday period and work out how much you need to save every month from February to achieve that goal.
- Set up an interest-bearing savings account to that effect, automate a debit order and watch your December wallet grow. And remember, a little goes a long way: R500 a month for 10 months is an extra R5,000 to spend.
- Stick to your budget on holiday. It's easy to get caught up once you're in holiday mode, but your January bank balance will be grateful.

Make a gifting list – and shop early, throughout the year.

- Think carefully about gifting. Does everyone really need more things? Chat to your family about gifting: opt for secret Santas, group gifts, or perhaps only giving children gifts. Everyone is feeling the pinch and will likely jump on board to reduce expenses.
- Keep an eye out for specials and end-of-season sales throughout the year, and put these gifts aside to use in the festive season.
- Don't get caught up in the hype. Sales like Black Friday and Cyber Monday – close to the gifting season – can catch consumers out, causing them to spend more than they normally would. Stick to your list and don't get sidetracked.
- Avoid using credit. Financial institutions see a spike of debt management and debt consolidation applications in January, indicating that consumers turn to their credit cards more in the holiday season. Don't fall into this trap: stick to your budget and manage your finances responsibly.

The information is shared on condition that readers will make their own determination, including seeking advice from a professional. E&OE.



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