



South African teens have an annual disposable (spendable) income of up to R6 billion collectively! Since you're a South African teen, this is great news for you. But if you don't learn to manage your money - and soon! - you could turn into an adult with massive debt.

## Why are so many people financially unsuccessful?

- Lack of knowledge: they don't know how to manage their money or who to ask for help;
- Lack of effort: they don't try to learn about money by reading, attending talks or speaking to professionals;
- The "must have it now" mentality: they don't live within their means;
- No goals and poor planning: they don't create specific, detailed, realistic and appealing financial objectives and stick to them!

Research shows that rich people are different because a) they don't waste a cent and b) they spend about nine hours a week managing their money – the same amount of time most of us spend watching TV! In other words, rich people have sussed out how to make their money work for them. And you can too.

## So now's the time to:

- understand and apply money management skills;
- distinguish between "needs" and "wants";
- avoid the bad debt spiral;
- plan purchases in advance;
- compare prices, look for quality and check for value; and
- provide for the future.

## What do teens need money for?

- Transport
- Clothing
- Food and snacks
- Education
- Accommodation (sometimes)
- Entertainment and music
- Extras like gifts, a cell phone, books or sports equipment

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## What's The Answer? A Budget!

A budget is a money plan for the future. It's about asking yourself, "How much money do I make every month?", "How much do I spend every month?" and "How much do I save every month?". It's about matching what you earn with what you spend and what you save.

Budgets can be drawn up by anyone, at any time. If you earn money weekly, draw up your budget on a weekly basis, before the week begins. If you earn monthly, draw up your budget at the start of every month. You can also make yearly budgets – now that's good planning!

## How To Draw Up A Monthly Budget:

1. Start with your income (the money you receive each month). Remember that depending on what you earn, certain amounts can be deducted from your salary for tax, Unemployment Insurance, a medical scheme or a pension. Your income is what you have left. Write it down.
2. Then, decide on your savings (the amount you wish to save each month). Everyone wants to save for different things so your amount will be different to someone else's.
3. Determine your fixed costs: costs that apply each month and don't change much in between – like rent, insurance, water and electricity.
4. Subtract your fixed costs and your desired savings from your income.
5. Now look at variable costs (costs that change according to what you need, use and spend), like transport, telephone, food, bank charges and clothing. These are the important costs when planning a healthy budget; they're also affected by inflation (see The South African Economy).
6. Deduct your variable costs from [income + fixed costs + savings].
7. Write down your discretionary costs spent on items you'd like to have but could sacrifice if things got very tough. Like magazines, movies or holidays.
8. At the end of each month, compare what you actually spent to what you budgeted for and anticipated spending. This will show you where you may have spent irresponsibly.

## What's Saving About?

Saving is a safeguard against difficult times; a way of preparing for unforeseen events or emergencies.

**John's father recently died. John didn't expect to have to pay for the funeral but he's been saving part of his income for many years. He can use part of this saved money for the funeral costs; he doesn't have to take a loan and pay interest on it. You see, even though John didn't expect his father to pass away, his savings mean that he's financially prepared.**

Without savings, you may have to borrow money to cope with unexpected costs. And you'll get stuck in a spiral: you'll have less money to spend out of next month's income because part of it, plus interest, will go towards last month's costs.

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## NOTE

### Keep copies of monthly budgets so that you can refer back, make comparisons and make changes if necessary.

- Remember that it takes time for budgets to match what you actually spend. Over time, you'll get a better idea of what your costs are.
- Plan shopping trips. Make lists. Once you've bought what you need, get out of that shop!

Saving is also a way of providing for your future; of living your dreams. Teens often have few responsibilities, so it's easier to put aside a bit of money each month to save for the things you really want. Many banks have special accounts for teenagers, with above-average interest rates. If you put your savings in a savings account, they'll accumulate (build up) interest and grow over time. After a few years, you'll have more money than you put away – without even lifting a finger!

Rosina's example shows not only the value of patience and time, but also the importance of discipline. If she'd dipped into her savings to buy this pair of takkies or that new CD, she wouldn't have earned interest on a constantly growing amount (R1 000 -> R1 140 -> R1 300) and she'd have smaller savings to show for it as a result. The lesson here is that sacrifice now leads to rewards later, especially where money's concerned!

### How Much Should I Save?

Only you can answer this question, because the amount you need to save depends on factors like what you're saving for: emergencies, a car, your retirement; your age (the earlier you start saving, the better!); your family: the number of dependants you have; and whether or not you already have a retirement plan - in the form of a company pension fund, for instance.

### How To Devise A Savings Plan

Savings plans are closely linked with budgets, so:

1. Draw up your budget as suggested previously This will indicate the maximum amount that you can afford to save each month.
2. Define your savings objective: Possible emergencies? To buy something special? For your tertiary education? To travel? For a house? Remember: you can have more than one savings objective.
3. Determine how much you need to save in total to achieve the objective/s; e.g. a computer could cost around R5 000.
4. Look at your budget and decide on the monthly amount you'll save.
5. Find a place to keep your savings safe, like a bank or post office account that's separate from your other accounts and not easy to draw from. Never hide savings under your bed!
6. There are a number of other ways to save money to cover your future needs, including joining your employer's pension or provident fund; purchasing investments like unit trusts; or joining a reputable savings club (stokvel).
7. Follow up on your progress: at the end of each month, compare your savings plan to how much you actually saved. Pat yourself on the back if you're on track and steadily approaching your goal!

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**Rosina places R1 000 in a savings account which earns interest of 14% each year. At the end of year one, Rosina earns interest of R140 (1000 x 14%) on her R1 000. She then has R1 140 in her savings account. At the end of year two, Rosina earns interest on her original R1 000 and on the R140 she made in year one, so she earns a total of R160 (1140 x 14%) on her total savings.**

**Her R1 000 is now worth R1 300 (R1 140 + R160). Provided that Rosina leaves her money in the savings account for a reasonable period of time - and adds extra money to it when she can afford to -it'll grow into a much bigger amount than she started with!**

**NOTE**

**A good general rule, say the experts, is to save at least 10% of your income!**

**S**tash it away **A**ccumulate more **V**iew what you've got **E**njoy it!

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