E-Book

How To Get Money Savvy
In 10 Easy Steps

www.moneysavvyhumans.co.za

Table of Contents

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The Money Savvy team

Introduction

Managing your money is a skill that you can learn. Even if you think you know enough, there is always something new to learn about growing your wealth.

We were not taught about money in school or by our parents. In fact, talking about money was taboo in my house. My dad made all the money, and my mom paid all the bills at the bank each month. I knew there was always cash in the safe and that my dad paid the labor wages on a Friday so on a Friday there was always wads of cash at the house. This was my financial education from my parents. My mom also told me constantly that “Money did not grow on trees” and that “I will need to work really hard for my money”. Both “beliefs” were beliefs I needed to change as an adult. I hated that all my pre- programming about money was all negative.

Why do we have such negative emotions and feeling towards money? Who made our parents hate money? Why did their parents think wanting to be wealthy was a sin?

Ask any child what they want to be when they grow up and you will hear things like “I want to be a doctor”, “I want to travel the world”, “I want to save the whales”, “I want to be a ballerina”.

Dreams cost money. So, if dreams cost money, why are we not teaching our children how to grow their wealth?

At Money Savvy we do believe in teaching children to make, manage, and grow their own income from as young as 6. Find out more about our Money Savvy Kids Programme.

So, whether you are looking to empower yourself or your children with financial knowledge, these 10 steps will get you money savvy.

Step 1: Get Clear On Where You Are Now!

2023 is the best time to become savvy with your money. We learnt the hard financial lessons during the past few years, and now it is time to use those lessons to build a better financial future.

Step 1 of becoming money savvy is to get clear on where you are now. This requires you to be honest with yourself. This exercise may bring up different emotions and that is okay. It is important that you feel those emotions and ask yourself why.

This is an important step in your money journey. Getting clear about where you are requires you to know the EXACT numbers.

What should you look at?

- What is your credit score? Check out www.clearscore.com or www.transunion.co.za
- How much debt do you have?
- How much do you have in savings and investments?
- How much are you spending each month?
- How much are you making each month? How many income streams do you have?
- What emotions drive you to spend money?
- How do you feel about money? Do you have a positive or negative mindset?

Now that you have a better idea about where you stand financially, put a budget together. In step 10 we will give you all the advice you need to make sure your budget accurately reflects the money coming in and going out.

Step 2: Identifying Potential Financial Threats

Life is like a game of snakes and ladders. You never know what the next roll of the dice is going to give you. It could be a snake (Threat) that could cause you to regress in your financial life. Or it could be a ladder (Opportunity) to take you to the next financial level of success.

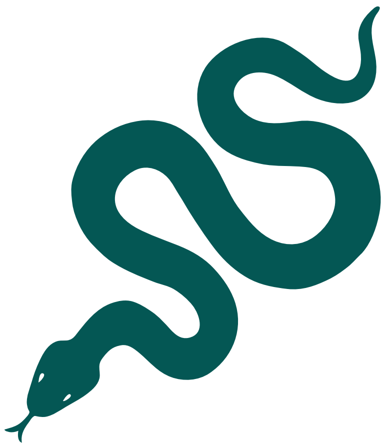
So, if life is so uncertain and the world, we live in now is so uncertain how do we mitigate the risk or the snakes in our financial future?

The first step is recognizing what some of the potential snakes (threats) could be in your financial life. Once you have recognized what they could be, you can start to plan and start putting measure in place to ensure these snakes do not set you back but rather teach you valuable lessons and help you plan more successfully.

We will not all have the same snakes (threats) in or lives as we are all in different life stages. You will see I have added have a child as a financial threat. Some might say that this is not a threat but a blessing. I agree as a mom of 3 but as a mom to 3 teenagers I'm perfectly aware how planning for and having children impacts my financial life.

So, threats you might need to consider now:

- Divorce
- Death
- Having a baby
- Starting a business
- Loss of income / loss of a job
- Reduce income with the same expenses
- Lack of financial knowledge
- Addiction
- Disease or illness

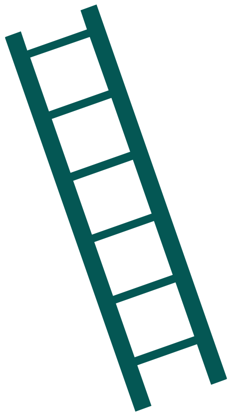


Many of the snakes listed above can be managed with the correct type of insurance and savings in the bank. We will get more into saving in our next article.

Step 2: Identifying Potential Financial Threats

Now let's look at some of the ladders (opportunities) in our financial lives. When we get given a ladder (opportunities), it's so important to ensure that, the ladder(opportunity) does not turn into a snake (threat). You will notice some of the snakes can also be ladders.

- Furthering your education
- Starting a business
- Marrying a rich spouse
- Winning the lotto
- Getting a better paying job
- Good divorce settlement



Recognizing ladders is just as important as recognizing snakes in our financial lives and ladders can very easily turn into snakes. Let me give you an example:

You take out a loan to start a business. That business fails and you do not pay your loan back. You will be blacklisted and have a poor credit score and no longer qualify for any further loans and you might be forced to liquidate. This will have a serious negative impact on your financial life and future. So even when life is giving us ladders, be sure to put measure in place to protect yourself and your financial future.

Sit down today and ask yourself what the potential snakes (threats) and ladders (opportunities) could be in the next 10 years. If a hereditary illness in your family is something to worry about get an income protector and funeral and life cover to protect your health and the wellbeing of your family. If there is a threat of losing your job, start your saving now and ensure you have 6 months' worth of living expenses saved up in the bank.

Plan for the worst and hope for the best.

Step 3: How To Increase Your Income

Gone are the days when the mom stays home to take care of the kids while the dad goes to work. I was fortunate when I was younger because my mom stayed at home. She on the other hand was totally unfortunate. When her and my dad divorced at 40, she had to start her life with nothing, never having worked and having no real skills.

Even if I did have a husband who could look after our family, I would insist on making my own money. Not just 1 source but multiple sources of income. Why?

For me my most important value is security so having money for speaks to my values and beliefs. I never want to end up like my mom with not enough money to look after myself.

It’s clear now more than ever that having more than 1 source of income is not a ‘nice to have’ but a necessity. With prices and inflation always on the rise fixed income is no longer the best solution if you have plans on growing your wealth or retiring rich.

Having multiple income streams does not mean you have to have 3 jobs and survive on 3 hours of sleep per night. The smart way to create income is through passive sources. Putting your savings in an interest-bearing bank account will yield interest. The longer the savings stay in the bank the longer you get the benefit of interest and compound interest.

You could start investing and save the money you do make in a tax-free savings account. You can save as much as R36 000 a year for 5 years without paying tax on your savings.

Step 3: How To Increase Your Income

You can rent out a room in your home or turn your outside toilet into a guest suite for rental.

You could look at starting a drop shipping online store. Building the online store, you can do mostly for free with the number of platforms available today. Drop shipping means never having to buy stock but rather selling the stock and then the suppliers post it directly to your customer for you. This whole process can be automated and all you need is a smart marketing plan and budget.

What are some of the ways that you could carve out some extra income for yourself? Have you thought about turning your passion into profit?

Financial literacy is the cornerstone of prosperity and security. It builds confidence and knowledge in the lives of individuals and the country. We cannot address the issues of financial inclusion and equitable and sustainable socio-economic development without addressing financial literacy.

At Money Savvy we have several online and face-to-face programmes to help you make more money and grow your wealth. Check our programmes out at http://www.moneysavvygeneration.co.za

Ask us how: kathryn@moneysavvy.co.za

Step 4: Setting Up An Emergency Savings Account

South Africa is a buy-now, pay-later society. The effects on young people's financial literacy are thus characterized by the same behaviour patterns as parents and society. These are high credit and high consumer behaviour with very little savings, and in turn high social risk behaviour. Money Savvy is working to change this disastrous pattern.

The past few years have been really challenging not just for me but for many people across the globe. For the first time in my lifetime, we have experienced a global epidemic. We heard and still hear statements like "No work no pay", "Salary cuts", "closure of many small businesses", "This virus is here to stay".

None of us could have predicted this global epidemic, but we can plan for potential financial threats in our own lives. If we can recognize what some of those threats could be, we can mitigate the risk from affecting our financial future if we plan correctly. Insurance and savings have protected me and my family from the global threat we were facing. For me, like most small businesses in SA, when we went into our first hard lock down all my work came to a grinding halt and all my live workshops were cancelled with immediate effect.

The impact on my finances was dire. I had 3 months where Money Savvy made no money at all. Luckily my advertising agency picked up the slack 4 months later. If I did not have savings in the bank I would have been evicted and probably lost my car. I did have savings and managed to make it through the tough months without too much stress.

I cannot stress enough the importance of having an emergency savings account. My suggestion would be that you have 12 months' worth of living expenses saved up. You never know what life is going to throw at you, but you can plan for the worst and hope for the best.

Step 4: Setting Up An Emergency Savings Account

Here are some tips on starting your emergency saving fund:

- It’s never too late to start saving.
- It’s never too little. Start with what you have.
- Set up a saving pocket and automatically transfer money into that account when you get paid monthly.
- Pay yourself first before paying bills and paying off debt.
- Add saving into your budget each month.
- Try and save a minimum of 10% of your total earnings.
- Track your spending. Instead of buying coffee on the way to work, make coffee and take that R20 you would spend each day and put it into your savings account. If you did that for a whole year you would have managed to save R5400. Ask yourself....is that coffee worth it?

Money Savvy Kids is revolutionising the way financial knowledge is disseminated to younger generations of South Africans. It infuses our clients with the problem-solving and critical thinking skills they need to make financial decisions now and, in the future, using the analytical skills they learn through the program.

Step 5: Understand What You Value

The first time I ever did a value exercise I was 38 years old. It was an interesting experience because I had no idea what I valued in life or in my financial life. My top value at the time was family. What was scary was I was not living up to my core value in any way, shape, or form.

My family life in fact was a shamble, I was unhappily married and was not spending quality time with my kids, I was always in a bad mood and worked long hours and every Sunday. How could family be my core value when this is how I was showing up for my family every day? Understanding how important that value was to me made me make some big life decisions. I chose to get divorced. We now have 2 happy homes and when I have my kids, I spend quality time with them, and we are all so much happier now.

My values have changed over the years and now a single woman with 3 kids my core value is security, not just security but financial security. Having enough money for everything we need makes me feel safe and I show up each day to deliver on that value. My actions speak for themselves.

Have you ever taken the time to look at what you value? What you and your partner value as a family? Do you even share the same values? I realized my husband and I did not value the same things. We did not value money the same way either.

When you understand your money values you can make decisions around money you will be happy with. If you can understand your money values, which are different for everyone (as we are all individuals), you are then able to align your spending to them. This makes your spending as it happens much more guilt and stress free, as your spending habits and patterns are now in line with your purpose and beliefs.

Step 5: Understand What You Value

Despite what it sounds like, having strong financial values doesn't necessarily mean being wealthy or even having a lot of financial knowledge — a person with very little money can still be driven by financial values.

We don't normally think about how money and values are linked together. But your attitudes about money are what defines everything that matters to your personal financial situation: how much money you need, how hard you're willing to work for it, how you'll feel when you finally get it and more.

Money is not an end unto itself. It's merely a tool to help us achieve our goals and live our best lives. Think about this – how could you possibly put together a financial plan unless you know what it is you really care about?

Knowing your values and what you want to spend on is one of the best things you can do to improve your financial situation. Spend and save for what really matters and lose the temptation to spend on everything else. This focus will help you achieve your goals.

At Money Savvy we teach you how to find out what your financial values are and then show you how to make and manage your money to live up to those values and achieve.

Step 6: Goal Setting

The first time I set a financial goal was when I was 32 years old. It was a skill I needed to learn. I needed to formulate a plan to achieve my goals and I can honestly say that goal setting was one of the biggest drivers in changing my financial situation. I still set goals for myself each year because Goal setting gives meaning and direction. Setting financial goals helps us focus on our finances.

Setting goals marks the beginning of financial planning to help you achieve your goals and objectives at various stages in your life.

What are financial goals?

Financial goals are targets for you to achieve in the future and like our values we all have our own individual goals to achieve. Financial goals are goals that revolve around finances and money.

A financial goal might be getting out of debt or saving for a specific item you can't afford right now like a wedding. Saving for retirement or buying a new home.

Like all goals this goal needs to be time based. Goals are either short term, medium term, or long-term goals.

Step 6: Goal Setting

Different types of goals

We have short term, medium term, and long-term goals. Setting short-term, mid-term and long-term financial goals is an important step toward becoming financially secure. If you aren't working toward anything specific, you're likely to spend more than you should.

Make sure your goals are realistic and flexible. If you set your goals too high, you are less likely to achieve them.

Short-term financial goals: (3 months or less)

- Short term goals can be easily achieved in a short space of time
- E.G. Save R2500 for a new TV

Medium term goal: (4 months to 2 year)

- Mid-term goals are priorities that can be accomplished within 4 months to 2 years
- E.G Saving R45 000 for a holiday or paying off debt

Long term goals: (More than 2 years to achieve)

- Long-term financial goals are priorities that may take more than two years to accomplish. Most long-term goals require regular savings.
- E.G) Saving for kid's university education or saving for retirement,

Setting short-term financial goals can give you the confidence boost and foundational knowledge you need to achieve larger goals that will take more time. These first steps are relatively easy to achieve. Achieving small victories will drive you to achieve your medium and long-term goals easier.

Step 6: Goal Setting

Annual financial planning gives you an opportunity to formally review your goals, update them (if necessary) and review your progress since last year. If you've never set goals before, our Money Savvy programmes gives you the opportunity to formulate them for the first time so that you can get – or stay – on firm financial footing.

Our Africa team

Step 7: What Is Your Money Mindset?

How would you define your money mindset?

How do you feel when you look at your finances, earn money, pay bills, and talk about money?

For many of us money brings up a lot of emotion. For some it can be positive, but for many it is negative. We feel dread when we see bills and guilt when we look at our current bank statement.

It is important to become aware of these emotions so that you can process them and work on creating a money mindset that makes you feel good and helps you work better with your money.

Emotions drive a lot of our behavior and for many of us we don't always understand our emotions or where they came from.

Think about how you deal with money when you are feeling certain emotions.

For example, maybe when you feel sad you head to the shops for some retail therapy? Why do you do this? Is it perhaps something you did when you were a child? Did your parents do this? What do you believe about money in this instance? Money is meant to be spent. Money buys happiness?

Oftentimes, our beliefs and behaviors around money were formed when we were young and unable to choose what we wanted to believe or do.

As we grow up, we continue with these behaviors and beliefs because we don't know better. These can be destructive to our financial life and prevent us from creating the finances we desire.

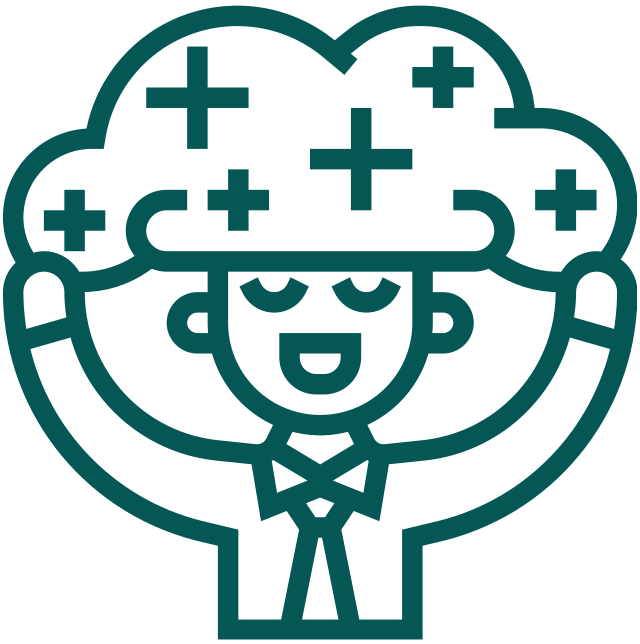
Step 7: What Is Your Money Mindset?

Beliefs are the things we are certain about. What about your beliefs about money? What are you certain about when you think about money?

- Money runs out
- You must work hard to make money
- Money is easy to come by
- It takes money to make money
- Rich people live on debt
- I deserve money

Think about the things you believe about money and ask yourself where these came from. Once you uncover the beliefs you currently hold then you need to decide which beliefs are helping you to reach the financial goals you desire, and which beliefs are holding you back.

The power to create your financial future is in your hands. If you are ready to explore your money mindset and create a mindset that empowers you then check out our Money Mindset Workshop.



Step 8: Grow Your Wealth – Investing

“Growing your wealth” seems to be the new buzz word around town. Most financial institutions are trying to educate “the man on the street” about investing and trying to get them to use their platforms. That’s how easy investing has become. There are online platforms you can start to use to trade shares, bonds, ETF’s and more. These institutions have made it very simple for us to try our hand at investing.

When it comes to your financial security, it’s all about planning and long - term goals.

Investing gives you the opportunity for financial gain but also the risk of losses. You can buy stocks, bonds, ETF’s, unit trusts or even invest in property, with the hope that the value of the asset will increase, and you will make money over the long run.

Investing usually has a higher potential for growth over the long term than keeping your money in a risk-free savings account or cash.

Becoming wealthy is simple... **SAVE AND INVEST!**

Step 8: Grow Your Wealth – Investing

Why do we invest?

To grow money to create annuity income in the form of interest, dividends, and capital growth.

What is investing?

- Investing is putting your money to work for YOU.
- We invest to grow your wealth over time in the form of interest, dividends, and capital growth.
- Not all investments are the same and it is vital to become a knowledgeable investor. Robert Kiyosaki often says that it is not the investment that is risky, but the investor.
- Interest is the money that is paid to you when you invest money with an institution. Interest is the cost of money.
- A sum of money paid regularly (typically annually) by a company to its shareholders out of its profits (or reserves)
- As a company grows, it becomes more valuable. If you buy shares in a company and sell it when it becomes more valuable, the price of the shares will increase. You can make profit the on the shares you own.

What is the difference between savings and investments?

- Savings relates to the act of putting your money in a safe place.
- Investment relates to putting your money away so that your money will grow.

At Money Savvy we run savings & investing workshops where we will teach you how to grow your wealth through investing.

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Step 9: Debt Management

South Africa is a buy-now, pay-later society. The effects on young people's financial literacy are thus characterised by the same behaviour patterns as parents and society. These are high credit and high consumer behaviour with very little savings, and in turn high social risk behaviour. MSK is working to change this disastrous pattern.

The internet loves making lists of things, from top 10 beaches you must see, to the top 10 restaurants in your area. So, it's no surprise that there's a list of the top 10 reasons why people fall into debt. Some are obvious; some are a little more excusable and one is ridiculous.

Bankrate.com's list of the top 10 leading reasons for debt starts off with reduced income/savings. That stands to reason. Next up is divorce, followed by an important one, namely poor money management. The list goes on through unemployment, gambling, medical expenses, saving too little, no money-communication skills, banking on a windfall and finally, yes – FINALLY – financial literacy.

It's no wonder that as South Africans, 70% of income earning adults are in over indebted when 'financial literacy' comes in at number 10. It begs the question, if financial literacy was at the top of the list, would there be a list at all? There are glaring inadequacies in the education system, from primary school right the way through to tertiary education that does not include any sort of formal financial literacy.

Step 9: Debt Management

Financial literacy is a cornerstone of prosperity and security. It builds confidence and knowledge in the lives of individuals and the country. We cannot address the issues of financial inclusion and equitable and sustainable socio-economic development without addressing financial literacy.

There is no use in trying to solve our financial problems if we don’t understand finances in the first place. Our lack of financial literacy in this country breeds a society that is constantly playing catch up with their finances and, worse still, putting out fires constantly.

Until we see a shift in paradigm that sees financial literacy (or lack thereof) as the number one cause for debt and financial instability, we’ll spend our lives reading about the top 10 beaches to visit, as opposed to going to see them for ourselves because of our financial instability.

Ask us about our tailored programmes kathryn@moneysavvyhumans.co.za

Step 10: Budget Like A Boss!

I have had to manage my own budget tightly since the first hard lock down started in 2020. With a few months of zero income and being forced to spend my savings, I knew what I needed to do first to make sure I was not spending more than I earned. I relooked my budget and was ruthless at cutting costs. I even cut my food budget in half and spent more time cooking and planning my meals better.

When was the last time you relooked your budgets? How often are you even checking your bank statements to be sure where all your money is going? I was shocked when I realised, I was paying R2800 a month in bank charges for all the bank accounts I had. An expense I did not even have on my budget. Have you checked how much money is being spent on real expenses? Do you account for every cent you spend?

Budgeting and sticking to our budgets can help us to save more, pay off debt quicker and manage the money we do have.

Step 10: Budget Like A Boss!

What is a budget?

A budget is a spending plan for our money. It helps us to manage our income and expenses to ensure that we are not spending more than we earn.

Having a budget will help you identify whether you have excess cash or excess debt at the end of each month. Excess cash will enable you to save and invest each month, whilst excess debt will shift your focus to paying off this debt and to not skip these necessary payments.

Why do we budget?

- It sheds light on our spending habits
- It helps you to be proactive rather than reactive.
- It helps you to identify your bad spending habits. So be honest with yourself on what you spend.
- It helps you to not spend more than you earn.
- It helps you to save to not only prepare you for emergencies but also helps to set ourselves up for retirement.
- We budget so we can stay focused and reach our financial goals.
- Following a budget can give you peace of mind because you know where you always stand.
- It helps you to prioritise paying off your debt

Making a budget is the most important thing you can do to manage your money.