JANUARY 2018

This time of the year is a moment to reflect and plan around how best to continuously improve personal financial standing during the year. There is no doubt there would have been lessons from previous year and it is important that where mistakes were made, these are corrected and where the right decisions were made these are improved upon. It is therefore important that at all times financial decisions are made with specific goals in mind, and this applies whether money has to be borrowed or saved. With goals in mind, this will help determine when levels of borrowing and repayment by taking into account affordability, and amount to be saved and invested looking and time periods.

Financial decisions and goals will in most cases differ during the working life leading up to retirement. It is therefore upon every individual to get as much access possible to information on personal finance issues with the aim of continuously improving financial standing. For example a 25 year old entering employment will not save/invest or borrow like a 55 year old approaching retirement. Taking these two scenarios, below are some general points to think about.

Employees entering first time employment should be encouraged to save and invest more whilst accumulating less debt. At this stage there is an opportunity to practice sound financial habits and discipline. Should there ever be a need to acquire debt regardless of affordability, it is important that debt acquired at least goes towards assets that will create wealth, as younger employees with lesser responsibilities have an opportunity to commit to pay off debt much quicker, with likely long term benefit of enjoying returns from that particular asset. However as a standard, debt repayments should not exceed 35% of income and this is what employees should maintain.
With time, more responsibilities are added and this is something that should be anticipated. For instance, if employee gets into the habit of saving more than the recommended 10% - 15% of income, as responsibilities accumulate the level of saving can reduce to the normal levels without discontinuing completely because of added responsibilities.

On the other hand employees approaching retirement should aim to reduce debts, which is a big threat to many approaching retirement. For ease of planning it is ideal to aim that at least a year before retirement all debts are cleared. At this stage thoughts should be constantly around about life after work and mainly determining how much money will be needed monthly to maintain a decent standard of living. This is a process that requires careful planning and consideration and cannot be left to chance.
It has also been established through many studies that relying on retirement fund payouts for upkeep is not enough. In an environment where of provident funds are predominant, retirement payouts are usually used up in no time. Employees approaching retirement should identify income replacement options whilst still active because at retirement it may prove difficult to initiate.

It is possible to achieve financial independence whilst in employment. Despite all the challenges that may pose a threat to reaching such a goal, there has to be a continuous effort. Spend less than earning, save or invest the difference in the right places. Should there be a need to borrow, shorten repayments and finish off as quickly as possible, avoid debt repayments for things that could have been saved for and purchased outright.

Key Market Indicators

Inflation[1]	5.4%
Interest Rate (Bank Rate)[1]	7.00%
Prime Rate[2]	10.5%

1. Source: Central Bank of Swaziland
2. Source: FNB, Nedbank, Standard Bank, Swazi Bank, Swaziland Building Society

Glossary

1. Inflation – the general increase in prices and the fall in purchasing value of money.
2. Interest Rate – amount paid by borrowers for use of money borrowed from lenders.
3. Prime Rate – the rate used as a benchmark by banks for lending rates.

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