

## OCTOBER 2017

As the year comes to an end, it is once again an opportunity to review personal financial status and also see how certain factors impact plans and further how to approach the coming year. Such factors include interest rate changes, inflation outlook and risks associated with products offered in the financial services market. With a clear set of goals (short, medium and long term) and an adequate financial plan that demonstrates commitment to budgeting, debt management, investment management and retirement planning, CERTAINLY achieving financial independence is possible. With a financial plan in place, this is one way of ensuring that any changes that may occur from time to time can be comfortably and adequately dealt with.

### The year that was

#### **Interest rates:**

From beginning of the year interest rates remained stable, save for one increase where the bank rate which increased from 7.0% to 7.25% and the prime rate increased from 10.5% to 10.75%. The stability is welcomed relief for those with outstanding debts as this means that there has been one change in installments of outstanding debts. The increase in the bank rate also meant that investors stood a chance to earn enhanced returns from interest bearing investments such as money market funds. With inflation easing, the rates will likely remain stable and possible start going down. For planning purposes, if borrowing it is better to not always borrow within affordable limits and if investing in interesting bearing investments to compare what the interest earned is versus inflation.

#### **Inflation:**

Inflation has come down and from 7.0% beginning of the year to 5.4% which may well indicate that going forward there will be improved disposable household incomes. This is a result of reversal in drought conditions from the year before last, which shot a number basic necessities costs up. However that being the case the relief may be temporary, due to the fact that utility costs such as water and electricity and fuel costs are to increase in the coming year, which will again put a bit of pressure. These costs are important to take note of as most households will spend predominantly on them before anything else. In this instance tedious as the process may seem, creation of a monthly budget will help cope with any changes and ensure that resources are appropriately used and adequately managed.

#### **Financial Products:**

From time to time financial products are sold in the market and some are commonly known, such as bank products, insurance products and collective investment schemes. So many people are under financial pressure such that the rate of return seems small or takes a long time to distribute interest when they compare these with unconventional and in most instances unauthorized financial products. We have seen during the year reports relating to people investing in "high" yielding investments only for them to lose their hard earned money. We have seen a rise in interest in currency trading (forex), unfortunately for quick gains and as means to "get rich" instantly. Caution needs to be exercised when dealing with such, otherwise investing takes time and that ought to be understood. There is just no easy way to make money and it is important to understand that investments take time.

For further protection the FSRA is a good source as the first point of call to confirm authenticity of any financial product and whether that particular institution selling the product is authorised to do so. Thereafter informed financial decisions can be made based on individual needs and objectives.

Financial discipline remains important regardless of economic circumstance and should become a continuous habit until the ultimate goal of financial independence is reached. Such discipline comes in handy when navigating the festive period into the New Year.

### Key Market Indicators

Inflation <sup>1</sup>	5.40%
Interest Rate (Bank Rate) <sup>1</sup>	7.25%
Prime Rate <sup>2</sup>	10.75%

1. Source: Central Bank of Swaziland

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

### Glossary

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