NOVEMBER 2017

During this time of the year focus tends to shift towards the festive season and in most cases only that, without consideration of what happens after the festive season from a personal financial management point of view. This may not necessarily be wrong however we'll look at common money trends around this period and see how financial behavior could be improved around such.

13th Cheque

The fact of the matter is that under normal circumstances a budget would be in place to accommodate monthly expenses over the course of the year, as would be the expected case for December. This immediately brings about the fact that any thirteenth cheque received needs to be planned for and allocated accordingly, whether for spending, saving or any other activities.
Firstly, given the general levels of over indebtedness, it is common that such additional funds be used to reduce and if practically possible clear debt. Secondly, should there be no immediate need to reduce debt, it will help establish which savings or investments could be increased, yes no matter the amount it will make a difference in the long run. Thirdly, establish if immediate education expenses such as school fees, uniforms, stationery, etc. have be catered for at the very least for the first term of the new year. Lastly if at all any funds are available to spend, this should be done with a plan in place so that mone y is accounted for and there are no questions around where the money went and what it was spent on. Whilst the above may sound easier said than done, with proper planning it is possible, and if mastered at this stage the pattern will be easy to follow and implement over the course of the year.

Saving Schemes

Savings schemes and stockvels which many households rely upon are good initiatives in the sense that at least money spent during the festive period is money that has been accumulated throughout the year and not borrowed, which is distributed either in cash or groceries. These schemes have helped many however the risk is the exposure to theft at the time of distribution as many cases have been previously reported. Caution has to be exercised around this time and ensure that those entrusted with funds are extra vigilant when it comes to the money that is to be distributed. This is certainly the best way to avoid using credit to fund expenditure over the festive period. The point to improve on here, for people to see value and appreciate such schemes is to increase the contributions at the beginning of each year so at least they are able to get more or similar goods for the next year in order to accommodate inflation. The goal is short term and there is no seeking of high returns but the safe storage of the funds.

School fees and relate expenses

This usually is the next immediate commitment most households will have after the festive period. It is a fact that this has to be planned for well in advance by ensuring that at least first term fees and uniforms, stationery have been taken care of. Some are able to borrow from institution such as banks, micro lenders and saving and credit cooperatives to fund this expenditure. This is not necessarily wrong so long as the repayment of loan does not put a strain to finances and the debt becomes a burden. The repayment period should not be longer than 12 months if possible. The ultimate goal here is to be able to pay without borrowing which can be achieved through saving and investing during the course of the year and in this way even if funds need to be borrowed it is not the entire amount needed that is borrowed.

The year-end period should not limit thinking to just the festive season but also be seen as an opportunity review financial plans and see what lessons can be taken from year that will ensure that continuous effort is made towards achieving financial independence in the following year.

Key Market Indicators

Inflation[1]	5.4%
Interest Rate (Bank Rate)[1]	7.25%
Prime Rate[2]	10.75%

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.