

# Dangers



Managing money is like taking a journey. There may be dangers and difficult choices along the way. We can make that journey unprepared. Or we can learn to see the dangers and avoid the mistakes so many of us make. We all want to sleep well at night!

## BUYING ON CREDIT

Life is so tough nowadays. I want all sorts of things — things that I can't afford.



And I have so many people and accounts to pay, that before I even see my money, it's gone!

Credit means we can have things today and pay for them later. Shops want us to spend our money. They know many people cannot afford to buy all the things they want, so they offer us *credit*. They make it easy to open accounts or buy goods on *HP* (hire purchase). Credit is more expensive than buying cash. The longer we take to pay, the more interest we pay. So we can end up spending almost all of our income on account payments, with almost nothing left for food and other needs.

*This need not happen if you use credit wisely!*



Now I am confused!  
Are accounts my friend — or my enemy?

An account lets us buy something which is too expensive to pay for in cash. This is a **good** service, but **only** if we *plan and budget* for it, and **only** use it to buy **things that we need and that will last a long time**, like furniture. Otherwise we can get into serious trouble.

## MONEY MANAGEMENT

### Rule number 3

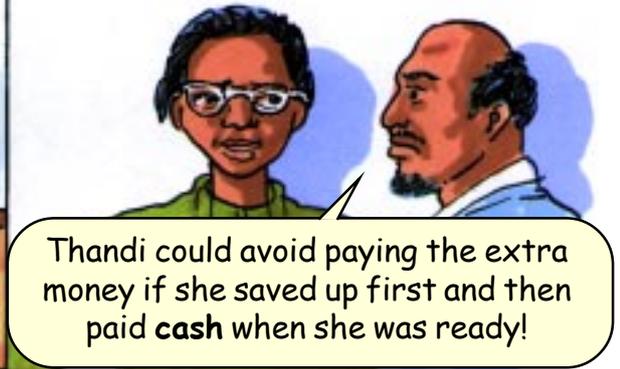
**Never use credit to buy things you use up quickly, like food.  
Avoid buying on credit if possible.**

## Hire purchase (HP)

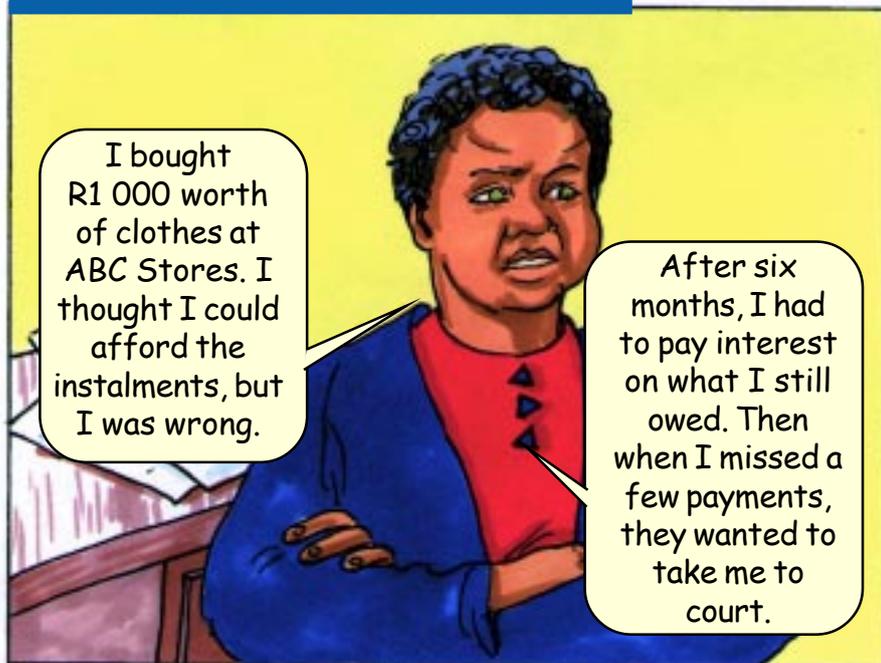


## WATCH OUT!

Buying on HP can be expensive! Instalments for this bedroom suite are R90 per month for 24 months. That is R2 160, plus a deposit of R89. The *instalments plus deposit* = R2 249. That is R550 more than the cash price.



## Clothing accounts



## WATCH OUT!

Clothing accounts mean credit (a loan) which has to be paid back.

Most clothing shops give us a certain time to pay before they charge interest. Then every month they add interest to what we owe. The longer we take to pay, the more interest we pay! If we miss payments, we can end up in serious trouble. So always pay an agreed amount on your account every month. Rather buy clothes on lay-by.

# MONEY MANAGEMENT

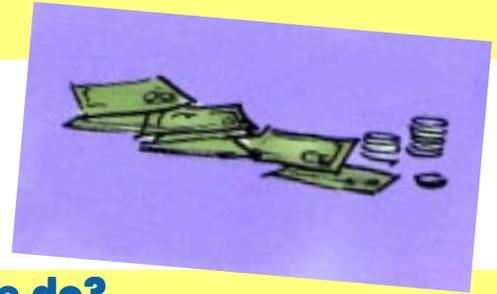
## Rule number 4

**Only use credit to buy things that last longer than it takes for you to pay for them!**

## BORROWING MONEY

Borrowing money does not always solve the problem — it can make it worse! But sometimes we need money quickly:

- A relative dies, and we have to help with the funeral.
- Our house may need urgent repairs.
- We need transport money for an unexpected trip.



### What should we do — and what shouldn't we do?

#### Microlenders

#### WATCH OUT!

I nearly ruined my family because I borrowed **too much** from a microlender. When I couldn't pay it all back in time the **interest** went up. I found myself **badly in debt**.

A **microloan** is a loan **under R10 000** from a **bank or microlender** which must be paid back in **less than 36 months**. Microloans attract interest at rates that are higher than normal loans. They are useful in **emergencies**, but you can get into serious trouble when you take out a loan for ordinary expenses or borrow large amounts. Never borrow from one microlender to pay another. Because different microlenders may charge different interest rates, **always ask** how much you will have to pay and **shop around!**

#### Microlenders

#### WATCH OUT!

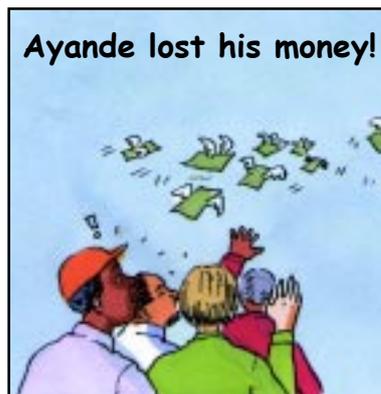
In some jobs you (and usually your employer as well) pay into a retirement fund. This is invested for you and will be paid out at a certain age, or if you change jobs. You may be allowed to borrow money for a home loan from your retirement fund.

**Try not to** borrow from your retirement fund! But if you do, make sure you pay the money back before you retire! You will need it to provide for your old age.

#### Pyramid schemes

#### WATCH OUT!

Ayande's friend told him about a scheme he had joined. He paid R50, and found four friends to do the same. Each friend would then bring in four more friends, and so on. He was told he could make R4 500 in one year!



Pyramid schemes come and go. They have many names and are slightly different from each other. But they are all **illegal** and **dangerous** and must be avoided! Pyramid schemes promise us fast, easy money. You pay a certain amount of money, and get some friends to do the same. Then you wait. But instead of getting rich, you **lose all your money!** *Don't put your rands into just anybody's hands!*

**Never be tempted by promises of making money fast. If it sounds too good to be true — it usually is!**