

Dangers and Pitfalls

Watch Out!



Managing money is like taking a journey filled with risk, danger and difficult choices. We can make that journey, ignorant and uninformed — and fall prey to every danger. Or we can learn, recognise the dangers and pitfalls and avoid the common disasters that trap so many. We want to sleep well at night!

PYRAMID SCHEMES

A friend told Naresh about a scheme where each person pays R100, and finds 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 800 in one year!

Naresh lost all his money — the scheme failed.



WATCH OUT!

Pyramid schemes come and go. They have many names, many disguises and some variations. But they are all **very dangerous!**

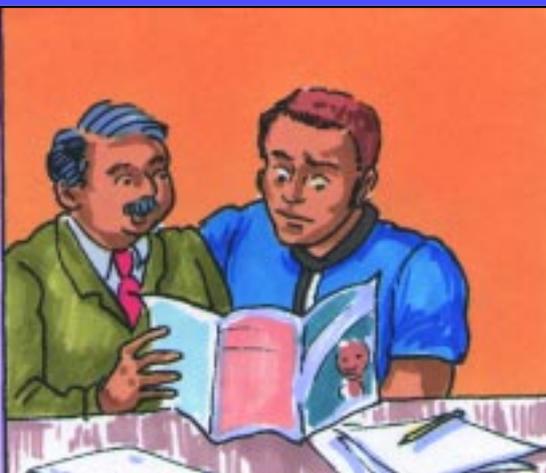
Pyramid schemes tempt us with the idea of fast, easy money. But there are just not enough people to make it work. Only the people at the very top get rich — at your expense.

Avoid these “Get rich quick” schemes. They are against the law!



BUYING INSURANCE

Patrick believed in providing for the future. An insurance salesman sold him expensive policies that he did **not fully understand.**



WATCH OUT!

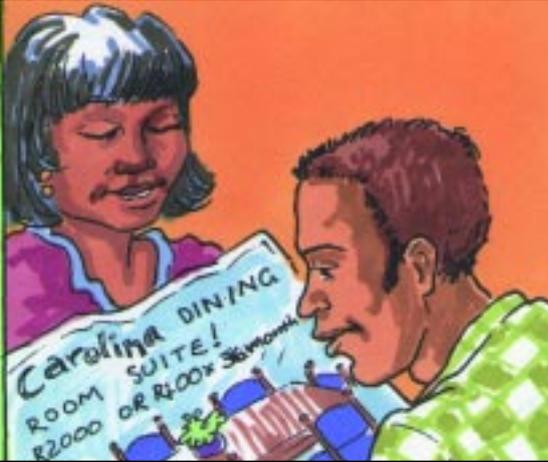
We all need insurance, but many people buy too many policies or the wrong type of policy because they do not fully understand what each one means. Too many policies, and too little understanding — the result is that you pay more money than you can afford every month.

Get to know your policies well. Keep the papers in a safe place. Read them and change them only when your circumstances change.



BUYING ON HIRE PURCHASE (HP)

Tony earned R2 900 a month. His wife Nan did not work, but they managed all right. They needed a dining room suite and decided to buy one for R2 000.



WATCH OUT!

Buying on HP can get you into trouble!

Tony and Nan had to pay R75 a month for 36 months. R75 seems very little — but $R75 \times 36 = R2\,700$ — R700 more than the advertised price of R2 000!

Tony could avoid paying the extra money if he saved up first and then paid cash when he was ready!



CLOTHING ACCOUNTS

Nan opened an account at a clothing store. They gave her a credit limit of R1 000. She was so excited that she spent the full R1 000 in two weeks!



WATCH OUT!

Clothing accounts can be dangerous if you don't plan for them. Accounts mean credit and credit is a loan which has to be paid back.

We may be tempted to buy without thinking of the future or spend more than we can afford — especially if we can buy on credit. But it always catches up with us! If we miss a payment, interest costs go up — and we get a bad credit record too. Lay-bys are much safer!



1 At Arty Stores, I have to pay off my account in six months — or pay interest.

If I pay less, I am charged interest. Then I must pay the monthly R100, plus the interest on what I still owe!

2 I bought clothes worth R600.

And if I buy more clothes in that time, the total goes up.

3 That means I must pay back R100 for six months.

4 I am safe as long as I can pay the full monthly amount every month.



The next month, Tony owed R1 810 on his accounts. This was over and above the R900 he had to pay on his home loan. This left him and Nan with R190 for all their monthly expenses.

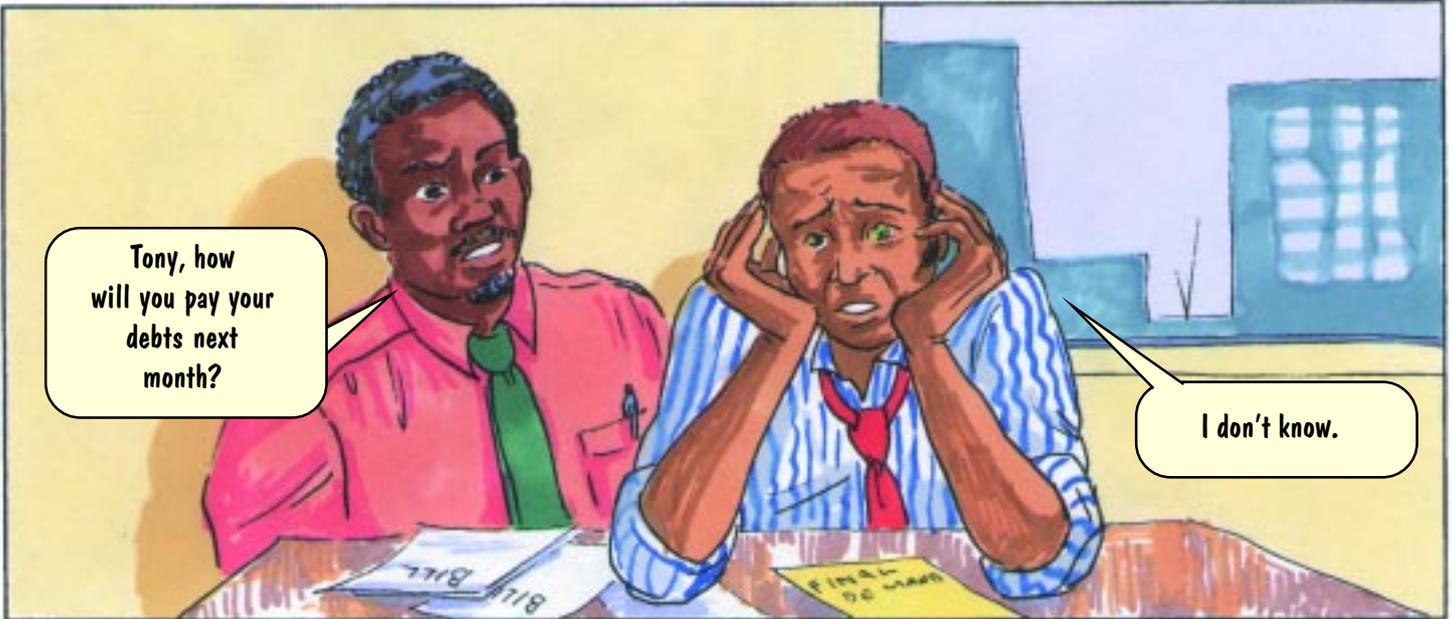
Tony and Nan are worried ...

It's impossible for us to cover our expenses on R190. I'm forced to borrow again. We have to eat! I'll borrow R500 from another microlender.



Tony, how will you pay your debts next month?

I don't know.



Does this sound familiar?

All of these problems can be avoided if we are **aware** of the dangers and pitfalls, and begin to **manage** our money **properly**!

But what do you do if you're already in trouble, like we are?

How do we get out of the debt trap — and stay out?



THERE IS A WAY! NOBODY HAS TO STAY IN DEBT FOR LIFE.