Plastic Money

Everybody knows about **Credit Cards**! But now the **Debit Card** is becoming even more popular. With this card you can only spend money you have in your bank account.

It can replace cash and cheques — and you'll never spend more than you have!

The debit or ATM card

This offers safe and quick access to your money. If you **have money in your account** and you know your **PIN**, you can **draw money** and do all your **transactions** electronically. Thanks to microchips, a new kind of **debit card** (one of the **smart cards**) can be used to make transactions off-line (without being connected to the bank's network) as long as the ATM or business has the new type of card scanner.

The credit card

The basic **credit card** lets you buy on **credit** and **pay** the bank **later**. There is an annual charge for the use of the credit card, and overdue accounts attract high interest rates. This is why you should **avoid** paying only the **minimum** amount due — always pay the full amount owing, or the highest amount you can.

The garage and petrol cards

These cards are issued specially for use at **garages** and **petrol stations**. They are an easy and convenient way to pay for your **petrol** and/or **car repairs**.

How do you get a bank card?

You automatically get an ATM card when you open an account. Speak to your bank if you want to apply for any other kind of card. Smart cards are only available from certain banks. An ATM is an *Automatic Teller Machine* at which you can draw cash, ask for a balance on your account or transfer money from one account to another. It is very convenient, but you have to know how to use it and be aware of security risks. Choose an ATM where there are security guards on duty if possible!

Our rights ...

When you borrow money from a bank, it has certain responsibilities towards you.

It must:

- give you a **written contract**
- **explain** in simple language exactly **how much** you owe, and **how long** you have to pay it off
- charge **legal interest rates**
- use **legal collection methods.**

... and our responsibilities

- Develop a **long-term** relationship with your bank so the staff get to know you and your particular needs.
- Open a savings account and make **regular** monthly deposits — even if it is only a small amount. People who do this will build a good track record. and get the best support from their bank in times of need.
- Never exceed your financial **limit**. Don't draw more than you have in your account.
- Ask about bank charges.
- Don't wait until you are in trouble before you ask for help or advice in time.
- Respond immediately to telephone calls or letters from your bank. A good financial record at your bank is valuable. Protect it.

Savings and Credit Co-operatives (SACCOs)

Savings and Credit Co-operatives (SACCOs) are similar to banks, but are **owned and run by the members** who all have a **common bond**, such as working for the same employer. **Anyone** who belongs to the group can become a member. SACCOs are **democratic** organisations with **formal management structures**. They offer members most of the same **services** as banks do and **members** decide how their money will be used.

SACCOs:

- usually offer better **interest rates** than banks do
- **inform** members on financial issues
- pay members **dividends** on shares
- offer **savings, loan** and **investment** services
- insure shares and loans to **protect** members' money.

All SACCOs must be run according to certain rules. They are regulated by SACCOL (Savings and Credit Co-operative League of South Africa).

Stokvels (burial society, lekgotla, gooi-gooi)

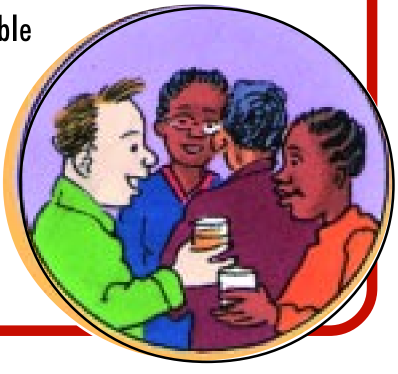
Traditionally stokvels refer to any of the **informal co-operative rotating savings schemes** used by millions of people to save money for occasional expenses. Stokvels are known by many different names, and have slight differences, but the basic **principle** remains the same.

- A group of people with something in **common** (e.g. the same church) meets **regularly** and put a **fixed amount** into a group account.
- Members take turns to **draw** the savings.
- There are **no administrative costs**.
- You are regularly offered a **lump sum**.

Traditional stokvels are **social clubs with rules**, based on **friendship** and **trust**. Like a book club or sports club, they are often used as an excuse for friends to get together and have a good time.

Many stokvels are run as profit-making businesses, where each member receives table money which is invested in food and drink. He or she invites (and charges) guests to come to a stokvel evening, and keeps the profit.

Stokvels are one of the only ways for people in *poor* communities to save, but, more and more, people with higher incomes are forming their own stokvels and using them to branch into other investments — in unit trusts and on the stock exchange.



Planning for your Future

How do we prepare for the future • when we don't even know what it will bring?

Planning for a better future for you and your family is a difficult task. But if you don't do it, you risk your own happiness and your children's future!

Watch out!

- Jobs are scarce. What will happen if you lose yours, or your children cannot find employment?
- What will you do when you are 60 or 65? Will you have enough to live on? Or will you have to work until you die?
- How will you support yourself and your family if you are injured or become too sick to work?
- Things get more expensive every day. Will you have enough money to pay five times or 10 times more for bread and milk in 10 years' time?
- Think about providing for your old age *now.* Don't leave it until it is too late!

Don't be one of the many! Don't depend on the government's old-age pension. It is not enough to live on comfortably!

Whatever your age, *start planning today*!

1. **Start saving today no matter how difficult it is! Get advice on the best way to save for your old age!**
2. **Talk to a financial adviser! Find out what policies are best in your circumstances. Advice is free!**
3. **If you have a retirement fund at work, make sure you know exactly what you can expect it to pay out. But don't rely on it alone!**
4. **If you do not have a work related retirement fund, look at the different options. Decide what will be best for you. Start preparing for your old age today!**

Preparing for the future – and old age

It is very important to have a retirement plan to provide for you in your old age. Whatever you choose, it should provide a monthly income until you die, earn interest (so your money grows) and cover you for the rise in the cost of living.

Work related retirement funds

Do you pay into a **pension or provident fund** at work? Find out more about it and what **your** responsibilities are. When you retire, your retirement fund will be paid out to you. By law, at retirement only **one-third** of a ***pension fund*** may be taken in **cash** (after tax) while the other **two-thirds** must be **invested** to give you a regular income. You may want to **invest** your one-third **lump sum payout** as well! If you belong to a ***provident fund***, you may receive either a **monthly pension** or a **lump sum** which you should use to buy a monthly pension.

Even if you have a retirement fund which guarantees an income for the rest of your life, it is unlikely that you will have **enough** money to live on **comfortably** when you retire. **How do you make sure your retirement fund beats inflation and lasts as long as you do?** It is important to invest extra money while you are still working.

If your employer does not offer a retirement fund, it is even *more* important to plan for your retirement yourself, starting **TODAY**. The **younger** you are when you start, the **lower** your **premiums** will be and the more time you will have to build up your money (capital). Whatever your particular situation is, **retirement annuities** are a good type of investment — and there are many variations to suit different needs. Get advice from a professional adviser and choose a plan that suits your needs and that you can afford. Your decisions will affect the rest of your life! **Find out about the advantages and disadvantages of each!**

Retirement annuities

A retirement annuity is nothing more than a safe long-term savings plan for old age. It is safe because you cannot take out the money before the selected maturity date — anywhere between the ages of 55 and 70.

Retirement fund rules

- **Don't borrow** from your retirement fund. If you do, make sure you pay all the money back by the time you retire.
- If you **change jobs**, do whatever you can to preserve your fund. Get professional **advice**. Leave the money in the retirement fund if possible or put it into a **preservation fund**.
- Once a year, the company must give you a **benefit statement**. This tells you what you have paid, what the benefits are etc. — in other words the status of your retirement fund.

- As your circumstances change, you may want to change your beneficiaries. You and your beneficiaries must make sure the company where you have your retirement fund always has your most recent details. **Advise them immediately of any change of address, telephone number etc.**

You can get **information** on a **pension fund** you used to belong to from the FSB Call Centre (contact details are on the back cover).

Don't pay anyone to get the information for you.