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Quickfire personal finance

Try these free apps for budgeting and investing:

APP	DESCRIPTION	RECOMMENDED BY
22seven	Old Mutual's budgeting and investment app	Magnus de Wet
Stash	Round up your purchases to the nearest R10 and invest in SA's biggest companies.	Magnus de Wet
Goodbudget	Personal finance app for budget planning and money management.	Magnus de Wet
MyFinancialLife	Nedbank's budgeting app, which gives you good spending analysis.	Yolande Botha

If you do go this route, make sure you keep monthly repayments in mind, as these need to be factored into your monthly budget. Also take note that if you have a pre-approved loan with your bank, the interest charges will in all likelihood be much lower than those provided by a micro-lender.

Pay off your debt, then invest

There's good debt and there's bad debt. With good debt, there is an underlying asset that grows in value, says Botha, like your home loan.

Bad debt is credit for consumption and it is usually expensive because it's high-interest-earning, explains Gradidge. Credit cards fall into this category. And it's often the latter that can give you sleepless nights.

Du Plessis advises that you should try and stay away from bad debt; advice that Botha reiterates. But sometimes that credit card has been whipped out for more than one emergency, or the planned spending detox hasn't happened quite yet.

So, should you be clearing your credit card balance, or should you rather use the money to invest?

"We recommend that you split the amount you have available and pay half of it towards debt and invest the other half. In this way you can see the debt diminishing, but also have some money available for emergencies and extras so that you don't get more indebted," advises Botha.

Du Plessis agrees that you should tackle your high-interest-earning debt first, as does Ngwane, "because it usually costs you more than savings gives you."

Drive a car you can afford

Very few people can afford to buy a car cash, which means your car payments (not to mention the insurance and maintenance costs) need to be factored into your monthly budget as well. What you also need to bear in mind is that a car is a depreciating asset, so it's certainly not good debt to take on.

"A car is such a status symbol for most that it is difficult to think rationally about the amount you spend," says Botha. "One way to look at this is to take the money you have after tax and divide it between musts (50%), wants (30%) and savings (20%). This is an easy rule to follow that Elizabeth Warren devised. The musts include housing, schooling, groceries, utilities, and transportation and if you stick to this rule, you will never overspend on a car."

Gradidge's personal rule of thumb is to not buy a car which costs more than a third of his annual salary. "That usually translates into an affordable repayment once I have secured the best interest rate."

Whichever way you go about it, be realistic. If you are getting an entry-level salary, you can't drive an Audi S3.

Retirement savings

Not all companies offer pension in remuneration packages, which means you need to take on the responsibility of this saving. In this case, a retirement annuity (RA) should be considered.

"It offers annual tax benefits and is governed by legislation to minimise your exposure to high-risk assets that could compromise your retirement income. You can stop and start contributions as you need to and make additional contributions when you have disposable income available," explains Ngwane. By setting up a debit order for monthly contributions to your RA, this saving happens automatically, adds Botha.

Ideally, you should start saving about 15% of your salary when you start your first job, but in reality, most people only start doing this in their 40s.

If you find yourself in this situation, it's important to consult a qualified and experienced adviser to undergo a retirement planning process, advises Gradidge. This will also ensure that there will be regular reviews in place to help make sure you are on track with your retirement savings.

Taking ownership of your retirement savings requires self-discipline, and sometimes people are a little late in coming to the party, says Du Plessis. Ideally, you should start saving about 15% of your gross salary when you start your first job, but in reality, most people only start doing this in their 40s, says Du Plessis. Better late than never, though. "It just means that you'll have to put away more than that 15% and you will have to work longer – you won't be retiring at 65."

Final advice when it comes to saving?

"Just start and be consistent," says Botha. ■

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