

YOU LIFESTYLE

YOUR MONEY SORTED



20-SOMETHINGS, START SAVING!

By LETITIA WATSON

Send suggestions for topics and requests for info to yourmoney@you.co.za. We may answer your questions in this column but won't reply personally.

Your twenties are the ideal time to wise up on money. Here are a few tips

HEALTHY FINANCES

You're in your twenties, earning a salary and being inundated with "favourable" offers for loans. But beware: every time interest rates go up, your debt becomes more expensive. There's good and bad debt. An example of good debt is a home loan as property is an asset and its value increases, while bad debt is a loan to buy an expensive smartphone, car or clothes – the value of these goods decreases from day one. By the time you pay off your debt the item costs much more than had you paid cash for it.

FIND A FRIEND

Build a relationship with a good financial adviser – someone who can look at the bigger financial picture and offer you sound advice, not someone who merely wants to sell you a policy. Ask older people who are financially successful to recommend an adviser. Chat to more than one adviser and compare their services and products before you decide. They can help you make good investment decisions and explain what kind of cover will work for you.

GET PROTECTION

Your biggest asset is your ability to earn an income, which is why it's important to have disability cover. This pays out if you're unable to work due to injury or illness and can provide an income and help cover medical expenses. Life cover becomes important if you have dependants or debts such as a home loan. If you recently started working you probably don't have enough saved to pay off debts in the event of your death. Life cover can do this or help with providing for family.

RETIREMENT

Having no assets or means when you retire is a scary prospect. There's no certainty your kids or the state will provide enough for you. The sooner you start saving through your work's pension fund or a retirement annuity the sooner you can start earning compound interest, which is when the interest on your investment also earns interest. The longer you wait before you start saving the more you have to save in the remaining time – and the longer you have to carry on working.

5 QUESTIONS ABOUT FINANCES

- 1** **Should I have a budget?** Step one when taking control of your finances is to make a list of your monthly income and expenses.
- 2** **Where can I learn more about financial management?** Consult an adviser and go to the websites of for instance the Association for Savings and Investment South Africa (Asisa) and the National Credit Regulator (NCR).
- 3** **Why do you pay less for life and disability cover when you're in your twenties?** Twentysomethings are less at risk of developing health problems, which increase your premiums and limit your cover.
- 4** **How much should I save for retirement?** Experts recommend you save at least 15 percent of your salary from the moment you start working. Don't withdraw money from your pension fund when you change jobs.
- 5** **Should I have a will?** Make sure you have a will, even if you're still building up your assets. Otherwise you'll die intestate and the state will decide who inherits your assets.

LIFE COVER UP BY 30%

Life and disability cover premiums are less when you're young and healthy. Take a 25-year-old man with a degree and office job who earns R15 000 a month and buys life and disability cover worth R1 million. He qualifies for a monthly premium of R146 for life cover and R105 for disability cover, says Asisa's Peter Dempsey. If he joins at 35 his premiums jump to R192 (31 percent more) for life cover and R160 (52 percent more) for disability cover. If he joins at 45 the premiums are 143 percent and 177 percent higher respectively.*

TIP! Set up a debit order for monthly transfers from your bank account to a savings account or unit trust so you save automatically.

GET MORE HELP HERE

- Financial Planning Institute, fpi.co.za, for accredited advisers.
- Association for Savings and Investment SA: asisa.org.za.
- Fiduciary Institute Of Southern Africa, fidsa.org.za, for wills and estate planning.

Opportunity is missed by most people because it's dressed in overalls and looks like work

– AMERICAN INVENTOR THOMAS EDISON

*ESTIMATED COST - IT DEPENDS ON EACH PERSON'S RISK PROFILE.