

Teaching young people how to budget and save is an important life skill – yet South Africa ranks as one of the worst in the world when it comes to speaking to children about money! Savings are also key to growing our economy. But, faced with unemployment and/or the responsibility of contributing to their family household income, saving can feel a long way off – even impossible – for many young South Africans. It's therefore important to foster a culture of savings in our youth – and share with them simple yet effective ways to become financially savvy from early on.

## 1 KEEP A SPENDING DIARY

Start with the basics: ask the young person how much they spend. If they cannot answer, suggest they keep a record of everything they spend their money on in a month: clothes, food, hair, transport, entertainment, airtime, etc. Remind them that knowing how much you spend vs. how much you earn is the first step to becoming financially independent!

## DRAW UP A BUDGET

Does the young person have a monthly budget? If not, encourage them to put one together, starting with their income (or any monies they have available at the start of the month), minus their fixed costs, like rent, electricity and any types of insurance and savings (see step 3). Next, get them to subtract variable costs such as food, transport and airtime. This should give a clearer picture of how much is left over for the nice-to-have items such as clothes, hairstyling, etc. – as well as if they need to adjust their variable monthly costs.

## 3 START SAVING!

As a rule of thumb, you should put away 10-15% of your salary from the day you get your first pay cheque. As this may not be possible for many young South Africans or if they do not receive a regular income, explore an amount they can put away each month. The same applies to expenses such as tuition fees, etc. Can they work out how much they need to save each month so they can save for it over time and deduct it from their monthly budget?

Once they know how much to save, it's important for young people to know where to save. Remember, they may prefer to use community stokvels, which have been shown to help members stick to their saving plans because of the group membership.<sup>1</sup> Whether it's a stokvel or bank account (see 'Recommended Resources' box), explore if they are getting the best possible interest for the type of account that suits their needs.

## 2



**Smart ways to save:** Share YOUR tips to saving money OR use the below as talking points to see how and where your mentee feels they can save each month:

**DO YOU LOOK OUT FOR SPECIAL OFFERS AND SHOP ONLY AT SALES?** For example, do you buy summer clothes at the start of winter and winter clothes at start of summer?

**DO YOU SHOP AROUND?** Do you compare prices or do you buy the first item you see?

**DO YOU USE CASH OR CARD?** Have you ever tried leaving home with only a certain amount of cash in your wallet – or do you always use a debit or credit card and think 'spend now, pay later'?

**DO YOU RECYCLE, SWAP AND SELL?** Instead of buying new things, can you swap items with your family or friends? Can you sell your unwanted things online or at a garage sale? Can you keep or collect bottles/paper and hand them in for recycling?

**DO I NEED IT OR DO I WANT IT?** Fast food, taxi vs. bus vs. car, new cellphone... Before splashing out on these items, do you ask if you really NEED these things – or would you just LIKE to have them? Discuss how money spent on these items could be used for saving up to do a course, added to a monthly savings account, etc.

### RECOMMENDED RESOURCES:

For different types of saving accounts, share this link: <http://www.youthvillage.co.za/2015/01/4-types-of-bank-accounts-to-consider-before-opening-one/>

For more about budgeting & saving, check out the Jumpstart handbook here: <http://www.jumpstarthandbook.co.za/HandbookPdfs/6a.pdf>

