

Its Payday... But not like it was before! What do I do?

The Corona crisis and the Lockdown in South Africa are causing a severe disruption to our economy, and that is affecting many people's jobs and their incomes. Some people are losing jobs; others still have employment but have needed to accept a reduced salary. What are some things that families can do to get through these difficult times?

A separate note will outline the options available to apply for support from government and other funds that have made support available to people during these difficult times. This note will suggest some things you can consider to rearrange your expenses to make them fit in within your income.

Each one of us has unique circumstances, so it is quite difficult to give a list that is applicable or relevant to everyone. If you are experiencing financial difficulties I would recommend that you get financial advice from an expert, who can help you make the decisions that are best for your particular circumstances.

Financial difficulties can cause a great deal of anxiety and fear. The Bible is honest about the fact that we will have difficulties, but what the Bible does do is to encourage us not to be anxious in these times but to trust God and to bring our difficulties to God. (Matt 6:31-33; Phil 4:6-7)

1. **Think as a household, not an individual.** When assessing your finances look at the impact on your household, not just you as an individual. Make sure you are taking into account all the sources of income that you have available to you. Also, the decisions that need to be taken are best taken by the household because everyone is affected by what are the things you need to stop. You may not want to involve young children, but certainly teens can be involved in this (especially if you might decide to stop Netflix!) because they do see the impacts that Covid-19 is having on society.
2. **Budget.** If you haven't been budgeting then now is definitely the time to start! A budget does not need to be complicated, but is a tool to help you decide how you will spend your available income. It's a monthly plan. When money is tight a budget is essential if you want to control your expenses.
3. **Needs vs Wants.** This is the difficult part. Many of the things that may be in your monthly spending currently are *Wants*, not *Needs*. When income is tight make the decision to cut out the *Wants* and focus only on the *Needs*. This is where considering this as a household may be helpful, because you can together agree what are the *Needs*. You will all be affected by these decisions! It might be that in this current environment Data has become a *Need* (so that you can stay connected or can keep working), but things like Netflix and the Gym are probably (for many families) in the *Wants* category.
4. **Lockdown Savings.** When your salary is cut that is a very difficult thing to hear, and also very scary. But for most people because of Lockdown our expenses have been

automatically reduced for us. How much are you saving on transport costs? Not buying that cup of coffee at work every day (R20 a cup means its R400 a month). Not eating take-outs. The restriction on buying alcohol is actually helping your budget!! If you work out what you are saving then the reduction in your income may no longer look so big.

5. **Can you defer repayments?** Many of the financial institutions have implemented grace periods or repayment holidays for a period. Find out what your institution offers. Generally, this is a deferment, so you will still need to make the repayment. But a 2 or 3 month gap may just give you some time to adjust to a new income level. It doesn't solve your problem long term but gives you some time to find a solution.
6. **Mortgage Bond.** Interest rates have reduced by a massive 2% in the last few weeks. Normally it's a good idea to keep your mortgage repayment unchanged when interest rates fall because it means you pay off your mortgage quicker. But if you need savings in your budget speak to your bank about how much reduction in your mortgage you can make at these lower interest rates.
7. **Review your bank statement.** If you don't normally do this then it may be a useful exercise to check what transactions pass through your bank account each month. Do you recognize all of them? Is there anything that could be stopped?
8. **Find ways to reduce expenses.** There are some things that remain *Needs* (like food), but you can consider ways that you can reduce your spend. Focus on what are the expensive parts of your monthly shopping bill, for example. Can you eat less meat? Cut back on the luxury items. Maybe accept that you are going to eat the same meal two nights in a row because it can be cheaper to cook in bulk. Are there ways you can reduce your electricity usage in this period?
9. **Review your insurance and savings.** Some insurers are offering temporary reductions in car insurance premiums, because we are all using our cars so much less. Where you have savings plan in place you can consider taking a premium holiday for the next few months, and many financial institutions are allowing that. Reduce your discretionary savings first, but you may also have to reduce your retirement savings. Where you have life and disability cover you want to try and keep this in place, so before cancelling the cover, look at ways that you can remove certain benefits or reduce the amount of cover in order to lower your premium. But ultimately if your income isn't covering expenses then you may need to cancel these completely. It's generally good to speak to a financial adviser before making these decisions.
10. **Carefully use savings.** If all of these steps have still left you with a shortfall, and if you have savings, then you may need to access these. There has been a dramatic crash in investment markets during March, and so depending on the type of savings you have these may now be worth less than they were previously. It is not a good time to be accessing savings so if you need to do this try withdraw as little as you can. Also, accessing some savings may have a cost associated with it, so be sure to ask questions of your financial institution before you access your savings.