PRUDENTIAL **INSIGHTS**

Brandon Johnson
Communications Manager

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Five tips for freeing up extra cash

One of the hardest parts of investing is being able to free up enough cash to invest. The reality is that most South Africans simply don’t have the extra money. Fortunately, the internet is loaded with useful information on how to set up a budget and prioritise your spending. And while these pointers are certainly helpful, the downside is that they often require a complete overhaul of your finances. The good news is that there are ways to free up some extra cash without making drastic changes to your lifestyle. Below are five tips on how to get started.

1. Check your bank statement

Your bank statement is packed with all the information you need to cut down costs. Start by having a closer look at your bank charges. Paying R400 a month for a “black” card may give your ego a bit of a boost, but it’s quite excessive when it comes to bank charges, especially if you don’t make use of any of the added benefits associated with the product. Try getting a better idea of the type of banking that you do most; you may find that it's cheaper to move to a pay-as-you-use product where the base fee can be as low as R5.25 a month. Assuming you do this, your bank charges could decrease to as low as R100 a month (including transactions) – that's a saving of R300.

2. Identify the things that you spend money on unnecessarily
It may seem obvious, but all the "small" purchases that you make add up in the long run. Food is often the biggest culprit here, especially when you're in the habit of buying lunch every day. Assuming you work a five-day week, spending R50 a day on fast food adds up to R1 000 a month. If you find yourself in this boat, adding an extra R400 to your monthly grocery bill and bringing food from home every day (instead of buying lunch) may be a better option. You could save yourself up to R600 a month... that's a win for both your wallet and your health.

3. Don't fall into the smartphone trap
We spend so much time on our smartphones that it's easy to justify the cost. But do you really need things like Augmented Reality or a 16 megapixel front-facing camera? Chances are you don't, so why pay upwards of R800 a month for a cell phone contract when a phone with lower specs may be better suited to your needs – and comes at a fraction of the cost. As soon as your cell phone contract is up for renewal, consider getting a cheaper handset, or even better, avoid getting a new phone altogether and opt for a pay-as-you-go or sim-only deal. If you're currently paying R800 or more for your contract, switching to one of these options could easily save you R300 a month on your current bill.

4. The price you pay is not always the best price you could get
The insurance industry is pretty competitive and there's usually some wiggle room for negotiation. Speak to your current insurer to find out if they are able to reduce your premiums without impacting your cover. Another good idea is to try and source comparative quotes. One insurance comparison website claimed that they were able to save members more than R400 a month on average by sourcing quotes from different insurance providers. It's a good idea to get a sense of what competitors are charging for similar products, but before switching make sure you read the fine print first. Insurance is important, so when changing providers make certain that you don't end up underinsured.

5. The internet doesn't need to cost a fortune
If you've been sitting with the same internet package for the past few years, now may be a good time to change. Internet prices have reduced significantly over recent years and are now more cost effective than ever before. For example, an uncapped 10 mbps line would have cost you about R599 four years ago. Today, the same package with the same provider costs R389 a month. Technology has also changed, with the likes of LTE and fibre being offered as more efficient low-cost alternatives. So a simple like-for-like switch with the same provider could save you more than R200 a month.

The best time to start investing is now
The total amount saved in the above scenarios works out to R1500 a month. Now imagine if you had done this exercise five years ago and started investing in the Prudential Balanced Fund, for example: the value of your investment today would be worth over R104,000. That's not a bad return for making only a few adjustments to your finances. Remember, it's never too late to start investing. So if you haven't already begun to look for ways to free up some extra cash, today may be a good day start!

While the above cost-cutting tips are by no means a 'one size fits all' solution, they do demonstrate the possibility of being able to save money without making drastic adjustments to your standard of living. To find out more, contact your financial adviser, our client services team on **0860 105 775** or email us at query@prudential.co.za.

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