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Four financial lessons from life under lockdown

It's been 22 days since the start of the Coronavirus lockdown in South Africa and the new lifestyle it has brought with it – social distancing, no walking the dog, no drinks at the local cafe, and no non-essential shopping, among many other prohibitions. And while we are surely missing these parts of our lives, we have been forced to make the best of them and adapt to the “new normal” – at least for the next few weeks.

Once the pandemic has passed and the rules are relaxed, the immediate health dangers may recede, but many of us could face increased financial dangers, especially if you haven't been earning a salary during the lockdown. To help cope with these financial dangers, or simply improve your financial situation, you can consider using these four lessons from the lockdown experience to your advantage.

1. Consider whether you've actually been hurt by having your shopping restricted to food and medicine.

While you may have missed some essential items like parts to repair your fridge, or batteries for your TV remote, you probably haven't lost out by not buying that new pair of shoes, high-tech toy, candles or flowers for your house, or gourmet ice cream. With malls closed and online deliveries

prohibited, it's a good bet that your impulse purchases have been limited, and you've survived. You've learned what you can live without, and probably spent less than usual in the process. This is a valuable lesson that could have positive effects on your budget going forward: you could continue this positive behaviour past the lockdown. Use the extra money to invest for your future or help pay down your debt.

2. Don't be tempted by retailers' sales.

Once South Africa is out of lockdown, many retailers are likely to have excess stock they need to offload, and we could see a flood of sales on a wide variety of items at "irresistible" prices. But no matter how big the discounts, try to avoid buying things you don't need. If it wasn't on your shopping list prior to the lockdown, ask yourself why you want it now? Instead, save your cash and invest it for a special occasion, like Christmas.

3. Don't give in to any pent-up demand.

Once the lock-down has ended, you may be tempted to go on a spending spree - simply because you've been prevented from doing so for the past month. After all, shopping can unfortunately be a big part of many people's lives these days, and we all have the very emotional instinct to immediately indulge in something that has previously been forbidden. For example, think of 18-year-olds drinking alcohol, or successful dieters wanting chocolate. During the lockdown you may realise how much time and money you had previously been spending shopping online or at the mall, and that you could use that time and money more rewardingly. This could mean, post-lockdown, investing in new activities or hobbies, or saving more for yourself and your family's future wellbeing.

4. Don't underestimate the importance of an emergency fund.

Many of us were caught off-guard by the lockdown and have been unable to work or earn a salary in the last 22 days. These circumstances have been unprecedented, but are exactly those in which an emergency fund is most effective. Financial advisers recommend setting aside an amount equivalent to three months' wages in case of times exactly like the present, such as a sudden loss of income. These savings can be invested in a low-risk income fund or money market fund so that the risk of capital loss in a market crash is small, and the funds are easily accessible. The importance of having an emergency fund has surely been brought home by the lockdown.

While the devastating impact of the Coronavirus pandemic continues to make itself felt on all aspects of our lives in South Africa, we must all do

our best to safeguard our health, our families and our finances going forward. While uncertainty remains high, this means continuing to live by the lockdown rules. The financial lessons that are emerging from life under lockdown could help in making the best of the difficult conditions now and in the coming months.

For more information, please contact your financial adviser, our Client Services Team on 0860 105 775 or email us at query@prudential.co.za.