YOUR MONEY SORTED

START SAVING MORE IN 2016

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.

Want to build more financial muscle this year? These four tips could help you

USE EXTRA INCOME WISELY

Make good use of your salary raise. You could for instance increase your monthly bond repayment by the same percentage as your salary increase. This way you can pay your bond off sooner and save on interest. Decide where to put the extra money – and stick to your decision! Otherwise this money will be frittered away instead of contributing to your financial health. Remember, every bit helps if used smartly.

TAKE A CALCULATED RISK!

Many people are too conservative when investing their money so the returns aren't as good as they could be. Don't be irresponsible but ask a financial adviser to look at your risk profile. Your income, expenses and other factors determine your risk profile. High-risk investments usually provide better returns, while low-risk investments might be more secure but have lower returns. Cash investments don't beat inflation long-term.

CONSIDER THIS OPTION

Tax-free savings plans allow you to invest up to R30 000 a year tax-free, which means you don't pay tax on the dividends, income or capital gains. Banks, life insurers and investment companies offer products such as savings accounts, fixed deposits, unit trusts and endowment policies as tax-free savings plans. Make sure the product you choose suits your risk profile. There are no penalties for changing or stopping your contributions and hidden costs like performance fees aren't allowed.

START EARLY

Start saving now for the end-of-year holidays. You know what the past festive season cost you, so try putting away something for the next 11 months. You can for instance sacrifice one luxury every month, such as that R15 muffin treat you buy three times a week. This already adds up to R180 a month which could go towards covering some of the cost of festivities at the end of 2016.

The time to save is now. When a dog gets a bone, he doesn't go out and make a down payment on a bigger bone. He buries the one he's got

– AMERICAN ACTOR WILL ROGERS

5 QUESTIONS ABOUT INVESTMENTS

1. **What is a conservative investor?** It's someone who wants to know their savings are safe and protected. Conservative investments are usually in cash, such as a savings account.

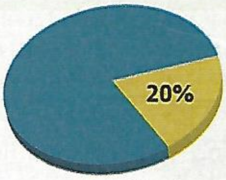
2. **What is an aggressive investor?** It's someone who focuses on strong capital growth and usually invests for the long term so their investments have time to ride out any market fluctuations.

3. **What should I beware of?** Don't invest more than R30 000 a year in a tax-free savings plan as anything over and above R30 000 is taxed at 40 percent.

4. **Can the full return on a tax-free savings plan exceed R500 000?** Yes, the lifetime contribution limit is R500 000 but the total value of your interest-free savings plan plus interest, dividends and capital gains can exceed R500 000.

5. **Can I check an investment company or adviser's registration?** Yes, contact the Financial Services Board (FSB) or go to its website.

ONLY 20% AWARE OF SAVINGS BREAK



Tax-free savings plans were introduced in February 2015 to encourage saving. But the 2015 Old Mutual Savings & Investment Monitor shows only 20 percent of urban working South Africans are aware of this. Awareness levels also vary depending on income levels. For instance 39 percent of households earning R40 000 a month or more know about the plans.

TIP! You don't need a lot of money to start investing – some unit trusts accept contributions of R200 a month.

GET MORE HELP HERE

- Financial Services Board: fsb.co.za
- Financial Planning Institute (fpi.co.za) for accredited advisers
- Investopedia.com to learn more about investments