



Welcome to the first issue of Money Smart News, a monthly newsletter to help you become better educated about your finances. Now more than ever, we as South Africans need access to information and education to empower ourselves to better manage our money.

According to research conducted in April 2020 by consumer credit reporting agency TransUnion about the effect that COVID-19 and the lockdown has had on consumer finances, 79% of South African consumers said that their household income has been negatively impacted.*

Since then, the latest TransUnion research shows that South African consumers are even more uncertain about the future of their finances now than they were at the beginning of April, when the national lockdown started and that the number of people who have lost part or all of their income continues to increase.

Money Smart News is here to share with you some important information that we hope will help you now, and in the future. Many of us are just trying to get by at the moment and are not currently in a position to save money at all.

This pandemic has highlighted the importance of having savings for unexpected situations. This is something to learn more about and strive for in future.

Brought to you by the National Consumer Financial Education Committee (NCFEC) as part of Money Smart Week South Africa (MSWSA), Money Smart News brings you updates and information about how you can better manage your money.

Please let us know what issue you need information on when it comes to managing your finances.

- Email us on info@mswsa.co.za.
- Go to our website www.mswsa.co.za.
- Follow us on Facebook (Money Smart Week South Africa).
- Follow us on Twitter (MSWSA).

Reference :

<https://newsroom.transunion.co.za/number-of-job-losses-grows-as-south-african-consumers-feel-the-pinch-of-covid-19/>

Help us to create a Money Smart South Africa!

SAVING – HOW TO START



While the current situation is scary, it has reinforced the need to save for an emergency. It is important for us to know more about how to save, and to teach our children and other family members too. Parents should teach children and other family members these saving principles.

When you start saving you will need to put money away for emergencies, plus you will need to think about your goals over the short, medium and long-term. Maybe you want to save for a new appliance, send your child to university and live comfortably when you retire.

Here are a few golden steps to get started:

- 1. Set a savings goal: Having a goal to work towards makes it easier to stay on track and to monitor your progress.**
- 2. Save regularly: If possible, try to commit to putting a little money away each month.**
- 3. Save what you can: Every little bit helps so save whatever you can.**
- 4. Save in a separate account: Always put your savings into a separate bank account. That way you cannot spend it as easily.**

For more information about how to get started and how to plan your short-term, medium-term and long-term savings and how to best protect your money, go to <https://wagewise.co.za/savings/> or contact an authorised financial adviser.



GETTING PROFESSIONAL ADVICE WHEN SAVING AND INVESTING

In 2018, the voluntary savings level of South Africans, including working and non-working South Africans, was said to be as low as 3%*. Even for those of us that are managing to save, we may not be maximizing our savings because we are making use of the wrong products or products that are not suitable to a particular client. Some of us may even fall victim to investment scams.

- Because financial services can be so specialized and the information about financial products can sometimes be difficult to process and understand, it is always better to seek the assistance of a professional who will help you to determine what product you need and can afford.
- Consumers should only seek financial advice and assistance from registered financial service providers, also known as financial planners or advisors. A financial service provider must be registered with the Financial Sector Conduct Authority (FSCA) for the provider to give consumers advice.
- When a financial service provider is registered, they will have a registration number provided to them by the FSCA. It is advisable to ask the financial service provider to give you this number and then use it to confirm, with the FSCA, if the provider is authorised to sell a specific product and/or provide financial advice.
- Never entrust your money to a company or individual that is not registered. When you deal with someone who is not registered, they are not subject to the Financial Advisory and Intermediary Services (FAIS) Act. This means that they are not authorised to give you advice or recommend financial products and that your money is not protected. You will also not have any recourse if the advice you are given is inappropriate.

Savings and Investments

Saving and investing often are used interchangeably, but there is a difference.

Saving is setting aside money you do not spend now for emergencies or for a future purchase. It is money you want to be able to access quickly, with little or no risk, and with the least amount of taxes. Financial institutions offer a number of different savings options.

Investing is buying assets such as stocks, bonds, mutual funds or property with the expectation that your investment will make money for you. Investments usually are selected to achieve long-term goals.

Source: <https://www.smartaboutmoney.org/>



You must also be informed about whether:

- You can withdraw money from your savings product.
- How easily you can withdraw the money that you have invested.
- If you must give notice before you can withdraw the money.
- How much notice you must give before you can withdraw the money.
- If there are any penalties or withdrawal fees that you will be charged for withdrawing the money before a certain time.



- Be careful if a financial service provider recommends a product if they have not conducted all the steps they are required by law to take before they give you advice and never feel pressured to accept any recommendations or suggestions made by the financial service provider.
- These steps include the financial adviser identifying all of your personal and financial needs, objectives and priorities.
- The fees that you will be charged for the advice and for the product itself, must be disclosed as a monetary figure, for example, R70, and not just as a percentage, unless you are able to easily work out the monetary value from the percentage.
- The financial adviser must also distinguish between a possible broker fee and any other fees and what services these other fees might relate to.
- All the advice that is given to you before you choose a savings or investment product must be recorded and you must be given a copy of the recorded advice.
- Once you start with a savings or investment product, you must check your statement and must be sure that you are not being charged fees higher than what the financial service provider said you would be charged.
- Savings and investment products, as with other financial products, should be reviewed at least once a year to see if they still meet your needs and circumstances, and where they don't, the necessary changes must be made. This is particularly relevant now with so many people's financial circumstances negatively affected by the pandemic.

Reference :

<https://businesstech.co.za/news/wealth/259511/one-graph-that-shows-south-africas-sorry-state-of-savings/>

Where can I find an authorised financial service provider?

There are a number of financial service providers around the country and you can find one closest to you, just remember to check that they are registered.

Go to www.fpi.co.za to find an authorised financial planner and to www.fsca.co.za if you need to check if someone is registered.



RETIREMENT SAVINGS AND COVID-19

Saving for retirement is one of the most important goals for most people. Starting to save as early and as often as possible is the key to ensuring a sustainable income once you retire.

The current pandemic has temporarily disrupted some employers and employees' ability to contribute towards retirement savings funds due to financial distress. The Financial Services Conduct Authority (FSCA) has issued a communication that retirement funds may make some rule variations to allow for provisional agreements between employer and employees to provide temporary relief from making payment of contributions to retirement funds, where there is proof that the employer is in financial distress.



There are many options on the payment of retirement fund contributions during the current pandemic.

These include:

- Situations where the contributions can continue uninterrupted.
- Where pensionable salaries are reduced for employees who are working reduced hours and earn reduced salaries based on the hours worked.
- The suspension of contributions where employees are temporarily absent from work.
- The reduction or complete stopping of contributions for a specific time period only.
- The postponement of contributions for a specific time period.
- The termination of participation in the retirement fund contributions.

In each of these situations, the priority is to assist people in making smart choices to lessen the impact on their lives and livelihoods and to achieve the best possible outcomes for all.

Whatever the situation, the key is to communicate: The employer needs to communicate directly with employees or via a union representative about what the situation is, and the employee needs to ask the right questions if they need more information. Be sure to read all the communication that might have been sent to you from your retirement fund. Speak to your HR department or employer about this or contact the principal officer of your retirement fund. Empower yourself today and minimise the impact of this pandemic.

This situation will eventually pass, and the ultimate goal is for your retirement funds to be as minimally affected as possible.

For more information and to access the Best Practice Guide: Temporary Relief from Making Payment of Retirement Fund Contributions and Risk Premiums, very useful information to assist employers, fund members and employees.



“CORONAMANIA” AND SCAMS

Consumers need to be aware that there are cybercriminals that are exploiting the spread of Coronavirus for their own gain using “Coronamania” panic to spread Coronavirus scams.

Coronavirus scams take advantage of people’s concerns for their health and safety and trick them using social engineering. Social engineering is when criminals try to manipulate you to reveal confidential or personal information that may be used for fraudulent purposes.

These new scams include spoofed emails offering products such as masks, or fake offerings of vaccines, leading to the use of fake websites. These emails come from seemingly realistic and trustworthy companies which trick people into clicking on links. Some of these websites ask you for personal information which then ends up in the hands of cybercriminals.



Cybercriminals are also using SMS Phishing, more commonly known as SMishing, to trick victims into clicking on a link disguised as information on a Coronavirus breakout in their area to steal their credentials. Some of these texts claim to provide free masks or pretend to be companies that have experienced delays in deliveries due to the Coronavirus. Once criminals have the correct level of confidential information about a victim’s bank account, they can impersonate the victim and transact using the correct credentials but without authority.

Please note that some of these emails can look very professional.

Please think twice before clicking on any link, even if an email looks legitimate. Any suspicious emails should not be opened and are best deleted.

Take note of the following tips to protect yourself:

- Do not click on links or icons in unsolicited emails or SMSes.
- Never reply to these emails. Delete them immediately.
- Check that you are on the authentic/real site before entering any personal information.
- Legitimate public service announcements via SMS such as those being sent daily by your cell phone provider about COVID-19 will not request any personal information and will only provide an authentic link or SMSes (www.gov.za).

Regard urgent security alerts or deals that are too good to be true as warning signs of an attempt to steal your credentials.

For more information go to www.sabric.co.za



BEWARE OF GET RICH QUICK SCHEMES!

According to the National Association of Stokvels of SA, Stokvels are defined as voluntary groups of natural persons [members] bound by a common cause who pool financial resources for the benefit of the group (NASASA.co.za).

Traditional stokvels are a trusted savings mechanism in South Africa.

Unfortunately, unscrupulous scammers have found a way to rob unsuspecting stokvel savers of their money by starting something that pretends to be a stokvel, but which is actually nothing more than a pyramid scheme in disguise.

One example that seems to be happening more often lately is the “WhatsApp stokvel group” or “WhatsApp gifting”.

This is how it works: You are invited to join a WhatsApp stokvel group (which is basically a WhatsApp chat group), but before you are added, you must pay a joining fee of say R200 with the promise that you will earn around R1 000 if you recruit two more people to the group.

Clearly this is not the traditional way of saving in a stokvel. You make money by recruiting more members instead of investing your hard-earned money for a certain period.

Just as with any pyramid scheme, as new recruits become difficult to find, the money will dry up and leave members without a cent.

What is a Pyramid Scheme?

Scammers use pyramid schemes to get your money. They will lie to you about an amazing investment opportunity and are very convincing. This is a fake investment. In a pyramid scheme, money is raised by recruiting other people into the scheme rather than from buying or selling any product.

How will you know if you are being scammed?

- Unrealistic returns offered in short periods of time.
- An initial or joining fee is required when it comes to scams.
- You need to recruit more people to join the scheme.
- You have no knowledge of where your money is going as no product is bought or sold.
- The opportunity is sometimes disguised as a stokvel or something else and promoters (people who recruit “new members”) may even use virtual currencies like Bitcoin to sidestep the formal banking sector where they could be detected.
- Promoters are not registered anywhere.
- There is no way of tracing where the scheme or promoter comes from.
- There is no one to turn to in order to get help.

How to avoid pyramid schemes:

- Use a registered Financial Service Provider and authorised Financial Advisor when buying financial products.
- Do not rush. Research the company you want to invest your money with.
- Be wary of opportunities to get rich quick.
- If it sounds too good to be true, it probably is too good to be true!



If you suspect you have been defrauded due to a pyramid scheme, please report this to the South African Police Service. The National Consumer Commission (NCC) and the South African Reserve Bank also have jurisdiction and can be reported to. Go to <https://www.thencc.gov.za/> or <https://www.resbank.co.za/>.

Information about illegal pyramid schemes can also be shared with SABRIC. Go to www.sabric.co.za or call 011 847 3000.



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Money Smart Week South Africa (MSWSA)

Money Smart Week is an annual initiative of National Consumer Financial Education Committee (NCFEC) along with other key stakeholders and is scheduled to take place again in March 2021.

Now more than ever, financial literacy is an ongoing need and not something that only happens once a year.

For this reason, we will continue to create a Money Smart South Africa by communicating these types of key messages to consumers via Money Smart News, in the media and online.



Look out for more details as we motivate and empower South Africans to become more educated about their finances. Please go to our website www.mswsa.co.za for more details.

Money Smart Week South Africa (MSWSA)

Sign up for this newsletter at www.mswsa.co.za and follow us on Facebook. Please email info@mswsa.co.za should you have any queries, comments or questions.