



WOOLWORTHS GROUP RETIREMENT FUND

MAKING THE DIFFERENCE TO YOUR RETIREMENT

FINANCIAL WELLNESS

STEP 4

SHRINK YOUR DUMB DEBT



SHRINK YOUR DUMB DEBT AND PAY OFF THE MONEY THAT YOU OWE. This is another step towards achieving Financial Wellness. Keep this brochure in your 'Planning for My Retirement' ring binder.

LET'S BE HONEST, ALL DEBT IS DUMB DEBT. YOU PAY INTEREST ON DEBT AND IT ALL ADDS UP, EATING INTO YOUR WEALTH.

FINANCIAL WELLNESS IS ALL ABOUT HAVING A PLAN.

- In order to set yourself free and to live a financially stress-free life, **you need to manage your money effectively – wisely and with discipline.** More often than not, you are at the mercy of your money when you should rather be in charge of your money.
- **Debt in all its forms destroys your chances of saving for a sustainable retirement,** let alone saving for something special or simply creating wealth. You are unable to save because you are continually paying off debts – a bond, a car, credit cards, retail accounts, loans – the list is endless.

The most important thing you can do for yourself and your family is to take this journey with us – one step at a time.

THINK BIG. START SMALL. ACT NOW!

KNOW THE TRUE COST OF DEBT

The longer you take to pay off your debt, the more it costs. You need to know the true cost of borrowing before you borrow. There is always a cost to borrowing, even for interest-free deals, which have admin costs anyway.

As soon as you decide to buy something on credit, expect to add to the price tag, especially if you are going to pay it off over a few months or years.

Get wise to credit cards, hire purchase, retail accounts, car loans, personal loans and any other lending.



AVOID EXPENSIVE DEBT

- **Avoid expensive debt like credit cards and hire purchase.**
- Know your options – there may be a cheaper way to pay.
- If you can, pay off loans within the interest-free period.
- Pay off your credit card in full every month.
- Try not to spend on your credit card at all – **rather save and pay for the items that you want with the cash you already have.** Even better, avoid buying the item at all.

BORROW ONLY WHAT YOU NEED

Keep in mind that credit limits are not your money – they are only how much you may borrow. Can you really see yourself paying it all back? If not, you may be in danger of taking on so much debt that it becomes a burden just to make the minimum payment every month.

Debt is really just owning something that you can't really afford at the time. And you pay a penalty for it – in the form of interest. It just doesn't make sense.

These days so many items are advertised on the 'repayment amounts'. This anchors our thinking on how much the payments will be instead of how much we are borrowing in total. And that's what gets us into deep water. Sure, we can handle that repayment, but how long will it take to pay it all back?

WHAT IS 'GOOD' DEBT?

Owning your own home – no matter what it is – an RDP house, a tiny flat, a suburban house or the mansion on the hill – is good wealth creation. But it must be your own, not still bonded to the bank! If you manage your bond well you could save thousands over time. Some tips to make the most of your bond are:

- get the right type of bond
- make your repayments as high as you can afford
- **make additional payments into your bond when possible.**

A bond is one of the few 'good' debts – it is securing your home ownership, which is a step towards achieving Financial Wellness.

IN STEP 5 YOU WILL LEARN HOW TO INVEST IN YOUR FUTURE

- An important thing that you should be doing is to invest in your future. This means making some sacrifices in the present to reap the rewards later. It also means preparing for the uncertainties of the future.
- By now, you should be noticing the results of budgeting properly.
- In Step 5 we will show you how to grow your savings and create wealth and security for your family and for your future.
- If you have an increase in salary, we will give you tips on what to do with the extra income.
- We will show you what to do with your spare money and how to make the most of it.

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NEXT... **STEP 5** INVEST IN YOUR FUTURE

You have started paying off your debt and are saving money. In Step 5 we will help you look at different ways to invest your money and start creating wealth and security for your future.

DO YOU NEED ADDITIONAL COPIES OF THIS OR OTHER BOOKLETS?

You can print additional copies from Imbizo (People site under 'Retirement'). Alternatively, you can download a PDF from www.wgrf.co.za

DO YOU HAVE ANY QUESTIONS?

If you have any questions, please email jennywolhuter@woolworths.co.za



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