the money guide

Tips and tools for financial success

How to grow your savings

What to do if you suspect card fraud

CAPITEC

understanding recurring payments

Three different types

A recurring payment lets you make the same payment each month automatically, without having to think about it. Stop orders and debit orders are 2 methods of making recurring payments, and now there's a new type of debit order, called DebiCheck.

1. **A stop order** is a credit instruction you give to make a payment from your account and pass it to a third person, for example, paying your rent to your landlord. It's the same amount on the same agreed date every month for a certain period, and *you* decide when the payment stops.

2. **A debit order** is a convenient way for a third party – one that you've given permission to – to regularly collect money from your bank account. You agree to the amount and the date for collection. It's typically used to collect monthly subscriptions, insurance premiums or loan repayments.

3. **DebiCheck** is a new type of debit order designed to improve security and reduce fraud. Once you have entered into a contract with a service provider, you will be requested to confirm and approve the debit order with the bank and make sure that all the collections information is correct. If the debit order is approved, your bank will then check the information you gave before the debit order is processed each month. DebiCheck debit orders are only processed if the information (such as the date and amount) matches. If it does not match, the DebiCheck is rejected.

It's important to note that, because you have confirmed these DebiCheck debit orders, you will not be able to reverse the collection that matches the information on the register at your bank.

What to do if you suspect card fraud

1. **Contact your bank immediately** to prevent further losses. You can do this on your banking app or by visiting your nearest branch.
2. **Once a suspected case of fraud has been detected,** your account will be stopped immediately to prevent further illegal transactions.
3. **The incident will be logged** and a case file will be opened to investigate.
4. **Once the investigation is completed,** you will be contacted about the outcome of your case.
5. **Keep in mind** that you are responsible for keeping your PIN safe and secret. If you share it with anyone, you will be responsible by law for any losses suffered, and you may not be able to get stolen money back.

the importance of saving

Putting a bit of money away every month helps you cope with whatever life throws at you, and gives you the freedom and security to make choices.

Why save?

Making saving a habit allows you to work towards your goals and dreams. It's not how much you earn, but the money you keep that can grow to help you reach your dreams.

Prioritise your savings

1. **Save for emergencies**
Sometimes we need extra money to deal with an unexpected event, like a medical emergency. It's recommended that you save enough money to cover between 3 and 6 months of household expenses to deal with an emergency without having to use credit or your long-term savings.

2. **Save towards retirement**
If your employer helps you to save for your retirement by deducting a percentage of your salary each month and investing it, don't cash out your pension when you change jobs. If your employer does not contribute on your behalf, speak to an FSCA-registered financial adviser to help you decide how to best save for your retirement.

3. **Save towards other goals**
Once you have the first 2 saving priorities in place, start planning and saving towards your goals.

Tip for saving smarter

Set up stop orders for your various savings goals at the start of the month so you're not tempted to spend the money on something else.

how to grow your savings

A savings account allows you to keep your money in a safe place and earn interest each month. This is how the bank rewards you for keeping your money with them.

Start earning interest

There are 2 kinds of interest – simple interest and compound interest – and it helps to know the difference.

How simple interest works

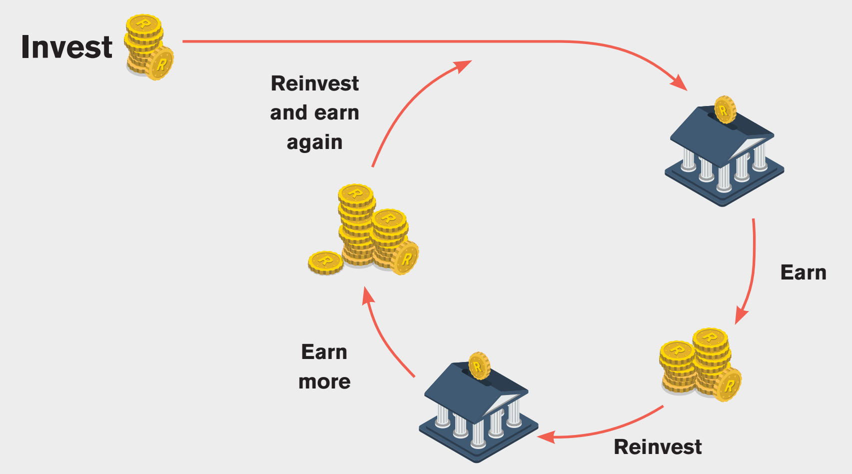
Simple interest is interest you earn only on the principal (original) amount that you deposited (or, in the case of debt, the amount that you borrowed). This happens when you withdraw the interest you earn.

Here's an example of how simple interest is calculated when you withdraw the interest you earn every year:

	Account balance	7% interest		Interest earned
Year 1	R1 000	x 0.07	=	R70
Year 2	R1 000	x 0.07	=	R70

How compound interest works

On the other hand, if you don't withdraw the interest you earn, you will start to earn **compound interest.** This is interest you earn on the amount you save *and* on all the interest you've earned. Each time you earn interest, the account balance gets bigger, and you will earn even more interest. This extra amount may seem small at first, but with enough time it creates enormous growth, as you'll see on the next page.



Here's what happens if you don't withdraw the interest you earn every year:

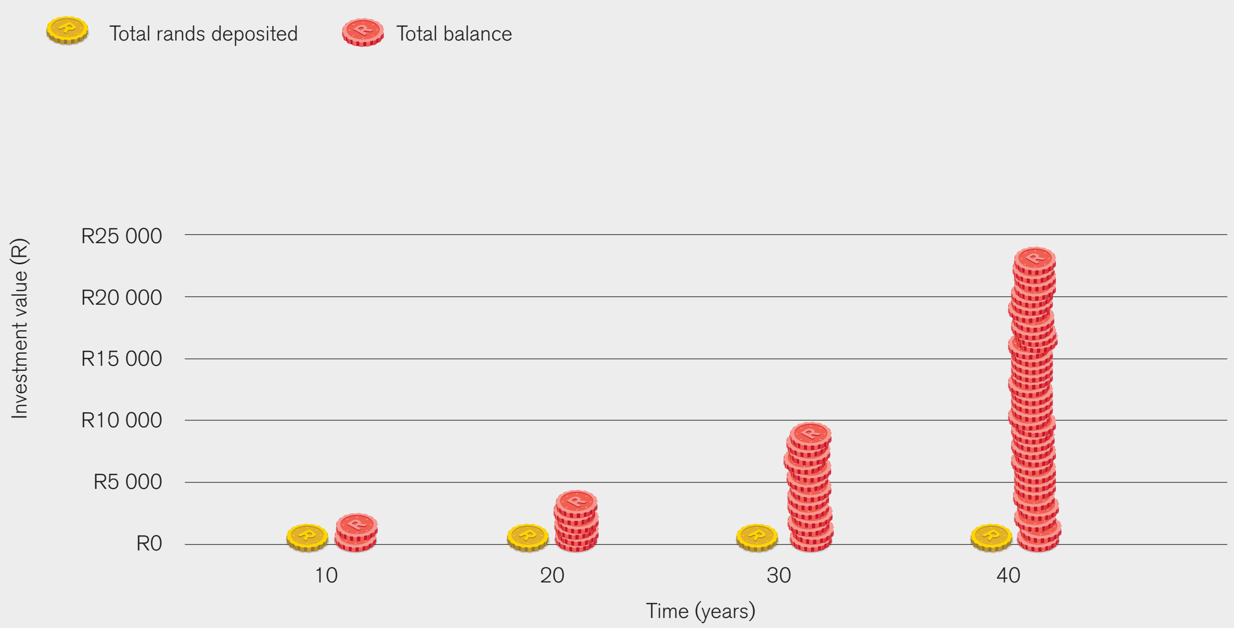
	Account balance	7% interest		Interest earned
Year 1	R1 000	x 0.07	=	R70
Year 2	R1 070	x 0.07	=	R74,90

How to turn R500 into R22 000

You deposit R500 into an account earning 10% interest a year, compounding annually. This means your total interest is added to your account balance once at the end of 12 months. You never withdraw the interest you earn.

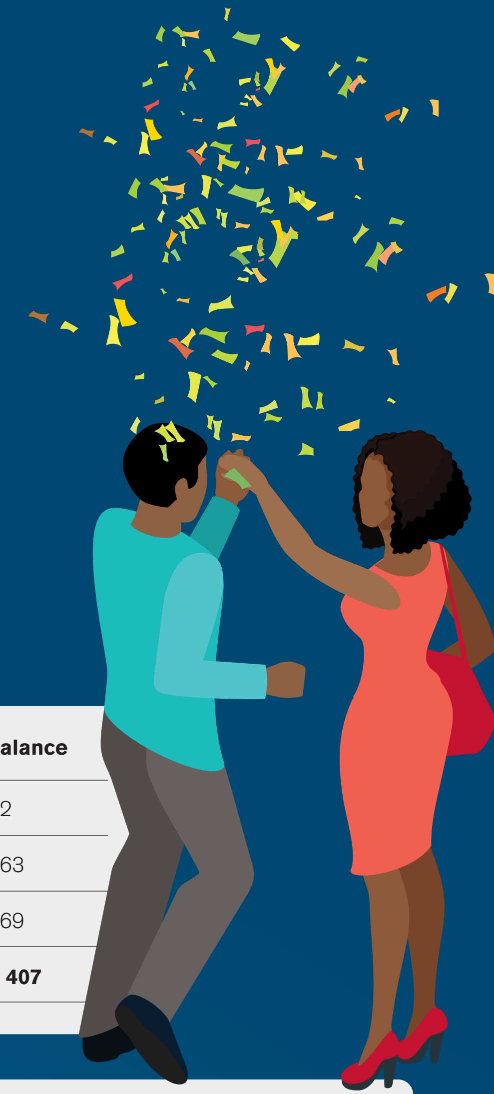
After one year you would earn R50 in interest. In year 2, you will earn interest on R550, so you will earn R55. Your total at the end of year 2 will be R605.

End of year	Total rands deposited	Total balance
10	R500	R1 297
20	R500	R3 364
30	R500	R8 725
40	R500	**R22 630**



Actual interest rates vary depending on a number of factors, including the type of account you save in, your opening balance, the interest rate offered at the time and the length of time you invest for.

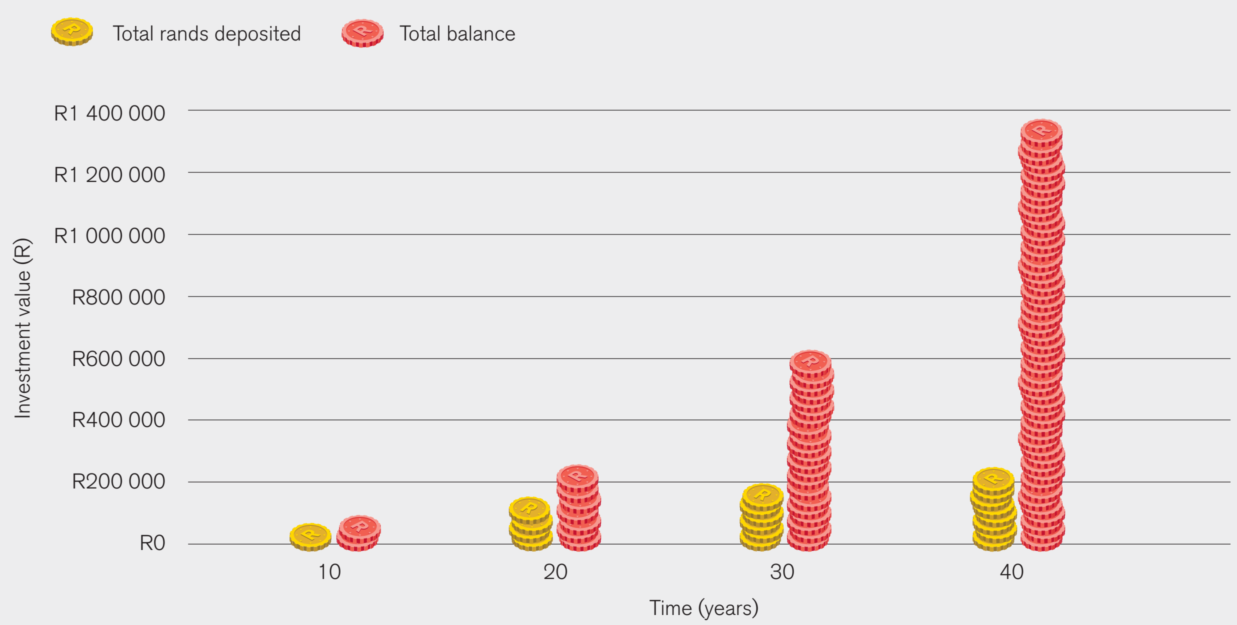
How to become a millionaire by saving R500 a month



The longer you can leave your savings, the bigger they will grow. Never think you have too little to bother saving.

The growth may not seem like much at first, but over time compound interest can make seemingly impossible dreams achievable. As you can see from this example, if you can give it long enough, time will contribute more money to your savings than you will.

End of year	Total rands deposited	Total balance
10	R60 000 (R500 x 120 months)	R96 542
20	R120 000 (R500 x 240 months)	R260 463
30	R180 000 (R500 x 360 months)	R609 969
40	R240 000 (R500 x 480 months)	**R1 312 407**



Actual interest rates vary depending on a number of factors, including the type of account you save in, your opening balance, the interest rate offered at the time and the length of time you invest for.

#SimplifyBanking #LiveBetter

Capitec Bank CapitecBankSA capitecbank Capitec Bank

capitecbank.co.za