

Don't be silly this season, spend wisely

For Immediate Release

November 2008

During these challenging economic conditions for South Africans, consumers would do well to spend their money wisely and avoid falling into the dreaded debt trap.

Christmas is an expensive time for us all, but don't go overboard on gifts and entertainment, advises Peter Setou, Senior Manager: Education & Strategy at the National Credit Regulator (NCR).

"In January, the yearly cycle starts again and there will be demands on our income ... and we face undue financial stress if we have been unwise in the way we spent our money," adds Setou.

Setou says, the "silly season" is aptly named because of a spending frenzy that appears to afflict people over this period.

According to Setou, often debt results from an accumulation of many smaller purchases: each one doesn't appear to amount to much, but when they are all added together, they can make a very big dent in one's budget.

"Consumers also tend to forget that they must still provide for the usual expenses such as rent, school fees, clothing, food, transport etc, and want to spend most of their available cash on items which they don't really need and actually cannot afford."

According to Setou, part of the NCR's mandate is to educate and create awareness among consumers with a view to enable them to make informed financial choices.

To this end, he adds, the NCR in conjunction with other stakeholders such as the Department of Trade and Industry (DTI), Provincial Consumer Affairs Directorates, Financial Services Board (FSB), and the Council for Medical Aid Schemes amongst others have been running an awareness campaign countrywide to educate consumers about their rights and obligations.

"Given the complexity of some aspects of the Act and in line with its mandate of carrying out education, the NCR is currently conducting these workshops because consumers have to be equipped to make informed choices about their finances," says Setou.

How can one avoid falling into the debt trap this festive season?

“First of all,” Setou advises, “plan your budget – know exactly how much you have available and what expenses must be covered.”

Setou also recommended attending to current debts before incurring additional expenditure. “Be wary of ‘buy now, no deposit needed’ deals, which will finally cost you more. If you do decide to borrow money, make sure you borrow only for what is strictly necessary and ensure that you can afford the repayments.”

He further said consumers are encouraged to know their financial status as it helps to know all your creditors; communicate with your credit providers when you are experiencing problems repaying your debts, you need to contact your creditors and discuss your situation with them.

Consumers are also advised to avoid getting more debt, rather downgrade and change your lifestyle – if you drive an expensive car consider a down grade for a less expensive car as it’ll reduce your monthly instalment thus enabling you to pay other debts and consider using public transport.

Look twice for a better price. When you do your groceries compare prices across major stores and settle for less.

Setou also offers these pointers:

Try not to be tempted by the flood of advertisements in newspapers, on radio and television, including letters offering credit;

Plan carefully and pay particular attention to your budget, especially bearing in mind the additional expenses that come with the New Year;

Don’t spend what you don’t have – this means do not live beyond your means;

Be careful of “no-deposit” offers, because those are loans and can attract high interest and other charges;

The Christmas season brings out the giving nature in us all. Be careful to give only what you can afford;

If you do decide to borrow money, make sure you borrow only for what is strictly necessary and ensure that you can afford the repayments;

Spend wisely now and enjoy a financially relaxed and peaceful new year.

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