

7 money-saving tips for 2019

The New Year represents the perfect opportunity to whip your finances back into shape, beginning by implementing these seven simple money-saving tips from Citadel Advisory Partner Daryl Coker.



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1. Set your financial goals

As humans it's common to want to wipe the slate clean in January, and look for ways to do better than we did the year before – especially with a debt hangover from December spending still lingering.

January is thus the perfect time to reflect on your accomplishments during 2018, and set new financial goals for the year ahead. These may include paying off debts, saving towards a deposit on a home, or even rewing up your retirement savings.

Having a clear and detailed set of goals to measure your progress against will help you to focus your efforts on saving, instead of falling back into bad financial habits and unnecessary spending.

2. Reassess your budget

Many people diet in January because they put on a little too much weight during the holidays and are trying to get their life back in order, and budgeting is similarly an important exercise for trimming the fat from your finances.

Look for places where you can cut back or may be overspending, and see whether you have any surplus cash left at the end of the month that you should be putting to better use. If you have received a salary bump, also remember to allocate a portion towards saving rather than just increasing your lifestyle spending.

3. Pay back the money

Interest rates are on an upward cycle both in South Africa and globally, meaning that your debt is likely to become even more expensive in 2019.

As part of your budgeting process, you should therefore look to put any spare funds or bonuses and salary increases towards eliminating debt, as paying down your debt more quickly could save you significant amounts in repayments over time.

Begin by creating a debt strategy that will help you to repay your debts as quickly and effectively as possible. This means prioritising your debts in order of the most expensive according to the interest being charged on the debt – usually starting with costly short-term debt on credit cards, followed by less expensive debt on cars and homes.

4. Price check your short-term insurance

One simple, yet often forgotten, method for cutting costs is to re-examine your short-term insurance cover and costs each year. This means comparing quotes from different providers, as well as checking that your motor vehicles, home and household contents are still insured for the right amounts.

While it's important to make certain that you are not under-insured, it's equally important to check that you're not over-insured. If you insure your car for R100,000 and it is only worth R80,000, remember that you will not be paid out the extra R20,000 even though you've been paying higher premiums.

5. Manage school fees wisely

Think carefully before paying school fees upfront as a lump sum.

Most schools do offer a discount of usually between 4-7% for early payment. However, also consider that by opting for monthly payments, your child is essentially receiving a year's education upfront and you will not be charged any additional interest on the amount owing – the monthly cost will remain the same, which is almost like receiving an interest-free loan.

If you are going to make a lump-sum payment, it might be wiser to repay other debt that will charge interest, such as credit cards or your mortgage, thus driving your interest repayments down.

6. Optimise your tax affairs

With the February tax season soon upon us, high income and provisional earners should also consider seeking professional tax advice in order to optimise their tax efficiency, for instance by making the most of allowable deductions for contributions to retirement savings before the financial year end.

You are also entitled to tax deductions for donations to recognised non-profit organisations that are able to issue Section 18A certificates, which is a nice way to manage your tax affairs while giving money to a good cause.

7. Consider the timing of buying a new car

If you are considering purchasing a new vehicle, remember that it may be more beneficial to buy in early 2019 rather than later in year.

If you buy a new car in November or December, it will almost immediately lose a year's value on the first of January even though it may only be a month or two old, as it will still be classified as the previous year's model.

If you are looking to purchase a new vehicle and your budget allows, it may be more beneficial to buy earlier in the year rather than later, or even worth saving and waiting until the beginning of 2020 instead.

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