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Forget about Bitcoin, rather focus on surviving 2018 with a plan and discipline

Unless you're the gambling type with a significant stash of spare cash to burn, it's time to tune out the Bitcoin hype and focus on surviving the financial challenges that 2018 will bring.

Niel Fourie, Public Policy Actuary at the Actuarial Society of South Africa, says all indications are that 2018 will be another tough year for the economy, which will impact on job security, salary increases, the cost of living and even investment returns.

"South Africa is already considered junk by two key ratings agencies, while Moody's has given us three months to prove why it shouldn't downgrade the country to junk. If Moody's does take South Africa into junk territory, life will become a whole lot costlier for all of us.

"In addition, the petrol price has just reached an all-time high of R14.49, which will result in higher transport costs and food prices. And let's not forget about consumers in the Western Cape who will soon face a drought levy in addition to food and water shortages."

Fourie says while there is little that you can do about the many woes facing South Africa, you would be wise to put in place some basic safeguards to protect your personal finances against the ripple effects that are about to hit our shores.

1. **Hold on to your risk cover**

Fourie says no matter how tempting it may seem to free up money by cutting out life or disability cover, your medical aid or your short-term insurance, it is never a good idea.

"Insurance is there to protect you and your family financially when the unexpected happens. If you are struggling to make ends meet now, imagine how much worse your situation would be if you were suddenly unable to work and earn an income due to an accident. Or if a loved one falls ill and you cannot provide the medical care needed, because you stopped paying your medical aid contributions."

While there is nothing wrong with shopping around for a better deal if you feel that you are paying too much, always make sure that your benefits are not compromised and that you understand the terms of your new cover.

2. **Do not overspend this holiday**

Your spending habits this holiday could either give you a financial head start in 2018 or leave you in a precarious financial situation.

Fourie says if you are struggling financially, this is a good time to face reality and implement a strict spending plan.

"The December holidays are notorious for overspending, often leading to regret when school fees are due towards the end of January and books and uniforms needs to be bought. Rather plan your spending now and bring the rest of the family on board. There is no shame in teaching your children how to be responsible with money. To the contrary, you are sharing with them a valuable life lesson."

He says if you are lucky enough to receive an annual bonus, plan carefully to make the most of this money. Channel funds into repaying outstanding debt, or consider creating a rainy-day fund to help you cope with unexpected expenses such as vehicle repairs or a new geyser.

3. **Start the year with a budget**

Fourie says having a realistic budget is key in managing your finances.

"Making a list of your income and expenses will provide you with an honest picture of your financial situation so that you can begin making realistic decisions regarding the financial survival of your household."

The first step towards taking control of your budget and spending may be to cut up unnecessary credit cards and close clothing or other store accounts, or look at other luxuries you can cut back spending on. You may also need to reconsider the affordability of items such as a new car.

"If ever there was a good time to strictly question every expenditure it is now. Before spending money, ask yourself whether you really need something or whether it is a want?"

4. **Prioritise and pay off debts**

Fourie says whether South Africa is downgraded to junk status by Moody's or not, there is a really good chance that interest rates will go up, which means that debt will become even more expensive.

It is vital therefore that you make paying off debts a top priority, he says, even if it means cutting out small luxuries like that daily cappuccino. While that daily treat on your way to work might only cost R24.90 a day, your caffeine habit actually costs you R498 a month. Paid towards settling a debt, this will make a big difference.

Fourie recommends compiling a list of your debts from most expensive (high interest rates) to least expensive. You can then put any extra money you can muster into paying off high-interest debts while making minimum repayments on debts with lower interest rates and gradually work your way down your list.

"Short-term debt such as credit cards, clothing accounts and vehicles will likely top this list, while long-term debt such as mortgage bonds will come later," says Fourie.

5. **Protect your future by saving and investing**

Fourie explains that it does not make financial sense to save and invest while you have substantial debts, as the interest you will be paying on your debts is likely to outweigh the interest you can earn on your investment.

However, once your debts are settled you should put in place an emergency fund of at least three times your monthly salary. Fourie suggests that you save this money in a separate bank account or money market fund in order to avoid the temptation to spend.

Once your debts are cleared and you have a rainy-day fund in place, it is time to put in place a long-term investment strategy with the help of a trusted financial adviser.

"Putting financial goals in place such as a child's education, a home or retirement will help you stay focused and prevent you from being tempted off your path by unnecessary spending," he says.

6. **Go on holiday with peace of mind**

Thinking about death just before you go on holiday is not a pleasant thought. However, dying without a will could place a huge financial burden on your family, as the laws of Intestate Succession mean that your loved ones may not be provided for in the way you would hope, explains Fourie.

Begin the process by gathering together the details of your debts, insurance, investments and any other assets. "Then consult an attorney, bank or financial services provider to assist you, as there are a number of legal complexities in drawing up a will that you may not be aware of," he says.

You should also make sure that your family knows where to find important relevant financial information and who to contact in event of an emergency," says Fourie.

"If you don't manage to achieve all of these recommendations before the country shuts down for the annual holiday season, prioritise the items you did not get to for the New Year," he concludes.

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