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# How can I save when I have nothing left to save at the end of the month?

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Let's not beat around the bush – times are tough. Rising prices at the petrol pumps and the grocery store are alarming, particularly when your salary doesn't seem to keep up with inflation. It feels like everything is getting more expensive and at the end of the day, this translates into less disposable income, and less money to save for a rainy day.

For many South Africans, it's not their unwillingness to save, but rather their inability to do so after their basics have been paid.

No matter where you are in life, managing your budget is all about priorities - and trade-offs.

Finding the right balance between sacrifices and necessary splurges is a work in progress: Through a process of trial and error, individuals can identify which expenditures fall into the "must-have" category and which ones they can do without in a pinch.

## **Every little bit counts and can make a big difference**

If you can manage to save R200 per month - that is equal to sacrificing roughly two coffees per week – it can make a material difference in the long term. Even with a mere R200 monthly contribution into a savings account at the bank generating a return of 6% per annum, if you start early enough, you can build your wealth up to R1 million. Yes, it may take you 55 years, but it proves that starting the habit of saving and being patient works, plus, you'll have R1 million to show for it. (Read the full article here on "[How to become a millionaire](#)".)

## **How does one go about cutting their day-to-day living expenses?**

Let's break that R200 saving down even further – say to R7 per day ( $R7 \times 30 = R210$ ). Now we really get into the nitty-gritty of how every cent does count. Sometimes it helps to focus on the small steps – thinking you must save R1 million rand seems almost incomprehensible but saving R7 per day (and R200 per month), seems more doable.

In the spirit of "every cent counts," we've penned the below list of options that could help you reach that extra R7 per day saving goal. Note that this isn't an inclusive list, and a tip that's right for one person might not be right for another (that's why some of these tips might seem to contradict one another).

**If you save R1 for every tip listed below, you will already have close to R90 in the bag!**

## Behavioural spending

- Rule number one – pay yourself first (i.e. save first) and spend what is left after you've saved. Even better – set up your payment to yourself, like all your other debit orders. That way, the money is out of your account before you can spend it.
- If you're big on socialising, but you tend to overspend when you go out to a restaurant, why not suggest a few indoor braais with friends, limit how much you go out, or set a budget for what you are allowed to spend when you do.
- Tend to spend as soon as your new salary is paid in your account? Try restricting yourself to a seven-day freeze on buying anything that is not absolutely necessary.
- If you know certain circumstances (such as pressure when you are in a fine dining restaurant) or even people (certain friends with bigger budgets than you) lead you to spend more try to set a spending boundary for yourself, or best yet, avoid the circumstances.
- Remember that bad habits are not only expensive, but they carry a higher tax margin too (such as sugar tax, tax on alcohol and tax on cigarettes). In addition, you pay more for insurance if you're a smoker.
- Budget and track your spending to identify any spending habits you might have that aren't serving you and to identify where you might be overspending without even realising it.
- Minimize the amount of money you carry with you to help discourage spending on discretionary items such as coffee and magazines.

## Groceries

- Plan meals in advance – not only to stretch your ingredients as far as possible, but to minimise waste. The costliest food is that which we throw out...
- Be both wary and aware of specials – don't buy what you don't need and make sure the special you are buying really is at a discounted price.
- Go online or review sale fliers to see which store has your favourite products on sale in a given week; just make sure that your savings cover any extra petrol money when driving from place to place.
- Buy frequently used items in bulk when they're on sale; freeze items you won't need soon.
- Resist the urge to overbuy perishables, even if they're on sale.
- Meat-free Mondays! Eat more vegetarian meals. You'll likely save on grocery costs and accrue health benefits at the same time.
- Grow your own produce: Start small with high-cost, high-margin items like herbs, and graduate to tomatoes, peppers, and zucchini.
- Packaged, processed food products are often discounted the most heavily, but don't skimp on healthy food like high-quality produce and dairy items. Investing in your own health and well-being will pay for itself many times over.
- Pack your own lunch or bring leftovers for lunch rather than buying lunch.

- By a refillable water bottle and forgo purchasing bottled water.
- Brew your coffee or lattes at home versus going out for them.
- Buy wine in bulk: Most stores offer a 10% discount on as few as six bottles, even if they're not all the same type. Mixed batch or no-label batches are often great quality for a fraction of the price.
- Or - cut back on alcohol and make non-alcoholic spritzers instead.
- Make your own household cleaners. (Baking soda and vinegar have many cleaning uses, and are earth-friendly, to boot.) Good online recipes abound.
- Shop discount warehouses or factory outlets but only if you won't buy more than you need.
- Create a buyer's circle – together you spot 'buy-in-bulk' specials and share the products and the cost. That way, you're not spending your entire cleaning budget on 10 bottles of the same detergent.
- Make sure you're using the discounts that you may be entitled to – a lot of insurance companies offer discounted rates via their reward cards if you buy healthier foods – so remember to have your card handy and swipe it to earn your savings.

**Online shopping and discretionary spending** (keep a close eye on your behaviour and your budget!)

- Watch out for shipping costs when buying on the internet; they can quickly erode any savings you realise.
- When shopping for discretionary items, impose a cooling-off period. If you see something you want, add it to your "watch list" or "liked items" and wait a week. If you still want it a week later, then pull the trigger.
- If shopping online, try a virtual splurge. The process of putting the items you want into your shopping cart may provide a shopper's high, even if you don't end up forking over your credit card.
- Instead of online shopping, why not try online selling? There are a variety of local sites where you can easily sell those unwanted items that are no longer being used to generate some extra cash.
- Shop for items you need at local markets, thrift or second-hand stores. Gently used or vintage items can be more distinctive than new ones and giving items a second life is greener than buying new.
- Hold a swap party with friends, where you all bring a few high-quality items that are no longer useful to you. Think kitchen equipment, decorative items for the home, clothes, or accessories.
- Bargain when purchasing bigger-ticket goods such as appliances; you may have additional leverage if you're purchasing more than one item.
- Make sure you're using the discounts that you may be entitled to – a lot of insurance companies offer discounted rates via their reward cards if you buy online via selected online retailers – so remember to have your card handy to claim your savings.

## Utilities and connectivity

- Run appliances at off-peak hours when usage rates are lower.
- Switch to CFL bulbs or dimmed lights (dimmed lights use less electricity and may promote romance!).
- Conduct an energy audit of your home – old appliances can eat away at your energy bill.
- Turn down heat (or turn up your air-conditioning, depending on the season and the climate where you live). In colder climates, learn to love fleece and buy a warm comforter for your bed.
- Switch from a premium cable package to a basic one or watch TV online via providers such as Netflix.
- If you aren't using items (such as lamps, TVs, and so on), turn them off or unplug them.
- Switch to energy-efficient appliances when it's time to replace (or even if it isn't).
- Only do full loads of laundry.
- Hang clothes, sheets, and towels out on the line to dry in the breeze instead of using your dryer.
- Fill your dishwasher before running it rather than cleaning partial loads.
- Drop your phone landline and use your cell phone exclusively instead.
- Conduct an audit of your cell phone usage: Cut cell phone minutes or switch providers. Light cell phone users are likely to find a prepaid service is more cost-effective than an ongoing subscription. If you're not a heavy data user, you may be able to get by just using wi-fi to access the internet from your phone.

## Petrol and getting around

- Switch to a more fuel-efficient vehicle. This can be a particularly good idea if you log a lot of kilometres on the road, but it might not be cost-effective if you don't drive as much.
- If you don't travel a lot, or not really for long distances, why not investigate a car-sharing group to cut back on costs.
- Bike or walk to your destinations or use public transportation such as the MyCiti busses rather than driving.
- Wash your car at home rather than paying for car-washing services.
- Make sure you're using the discounts that you may be entitled to – a lot of insurance companies offer discounted rates and rewards for drivers that drive safe or that drive less.
- Another service offered by a lot of insurers and even some banks nowadays is a 'take-me-home' service – check if your service provider covers it as an added benefit. If they do, rather use what you are already paying for than book a taxi at an additional cost.

## Home Maintenance

- Cut your own grass and tackle your own landscaping. You'll save money and improve your fitness level, too.

- Drop your house-cleaning service or switch from a once-weekly service to once every other week.
- Don't forget that some insurers cover you for small home repairs as an added value service (and not as a claim). Double-check your policy as to what is included in your monthly fee.

### Personal Care

- Experiment with generic brands to replace expensive department-store cosmetics.
- Do your own manicures and pedicures.
- Stop buying dry-clean-only clothes; learn to iron instead.
- Walk, bike, run, or work out outside rather than pay gym fees.
- Take advantage of the discounted gym rates that your insurer might be able to offer you.

### Medical aid versus medical insurance – which one do you need?

- Medical aid regulations require that all medical aid products offer a set of minimum benefits known as [Prescribed Minimum Benefits](#). This cover includes 270 in-hospital, life-threatening procedures and 26 listed chronic conditions. These factors and more set the starting price for medical aids higher than that of medical insurance products.
- Medical insurance products were introduced as a more affordable alternative. These products are governed either by short-term or long-term law and not by medical aid regulations. To keep these products affordable, they are mostly focused on out-of-hospital primary-care expenses such as general practitioner consultations, prescribed medication, basic dentistry and some optometry cover.<sup>1</sup>

### Insurance and Financial Services

- Ask if you can qualify for discounts by consolidating home and car insurance policies with a single firm.
- Shop around for the best car and home insurance rates rather than automatically renewing with your current carrier. (Just be sure to check claims-paying ability and financial stability of a prospective insurer first)
- Think twice before making small claims on car and household insurance; the resultant bump-up in premiums could cost you far more than paying for the fix out of pocket.
- Skip extended warranties. If replacing an item like a computer or a refrigerator wouldn't put you in a financial bind, it's usually not worth insuring it.
- Be strict about paying your bills on time and not just your insurance bills. Late payments can incur great penalties.
- Never let your policies lapse; you may pay a surcharge to reinitiate coverage.

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<sup>1</sup> [What Is the Difference Between Medical Insurance and Medical Aid](#)

- Raise your deductible on your car insurance, especially if you have a history of safe driving and you can afford to pay for smaller fixes out of pocket.
- Drop or reduce the collision and comprehensive coverage on your car policy if you drive an older vehicle or one with high mileage.
- Raise your deductible on your house insurance but ask for a comparison first; the decrease in your premiums may be negligible.
- Make sure that your homeowner's insurance provider is using a realistic value for your home's replacement cost.
- Live in a disaster-prone area? See if you can qualify for a reduction in homeowners insurance rates by making your home more resistant to natural disasters, such as floods and fires.
- Ask your insurer if having a home alarm system or sprinkler system qualifies you for a discounted insurance rate.
- Paying extra to insure valuable personal articles like jewellery and collectables? Make sure you still own the items covered. And even if you do, they might be covered under your basic home contents policy.
- Investigate what perks come along with your credit card, such as extended warranties or insurance.
- Switch to a credit card with no annual fee, especially if you're finding it difficult to actually take advantage of the so-called rewards that your rewards card offers.
- Investigate no-fee cards that pay you cash or rebates back on everyday purchases. Just be sure to read the fine print to ensure that your spending doesn't have to hit a specific level before the cash-back offer kicks in.
- Travel overseas frequently? Avoid foreign transaction fees, which can run as high as 2% or 3%, by switching to a card that offers no foreign transaction fees.
- Carry a balance on multiple cards? Consolidate those balances in the account that offers the most attractive rate. Again, be careful not to trigger new transfer, application, or processing fees.
- Don't keep more in a non- or minimal-interest-bearing checking account than you need to; shop around for an account that doesn't require a minimum balance and park the rest of your cash in a higher-yielding money market fund or fixed deposit account.
- Ditto for paying fees on your checking account; at this point, it's not difficult to find no-fee, no minimum balance accounts.
- Avoid overdraft fees by keeping close tabs on your monthly balance or linking your savings account to your checking. Opt out of overdraft protection, which means that the bank will cover you - and charge you a hefty fee - if you overdraw your account.
- Watch ATM fees, either by sticking with your bank's ATMs or opting for a bank that will offer rebates if you use an out-of-network ATM.
- Don't pay for tax-preparation services, especially if you have a straightforward tax return. SARS E-filing is user-friendly with training instructions online.
- Consolidate your investments with a single firm so that you may qualify for lower-cost share classes and lower commission rates.

- Ask for very specific annual cost estimates before signing on for a complicated and costly financial product. If you're seeing costs of more than 2% or 3% per year, ask your financial advisor whether there are cheaper ways to achieve the same general goals.
- Did you know that a lot of banks and insurers give you access to free legal advice? Have a look to see if you qualify for this service next time you're looking for legal advice, for example, when setting up a will.

The best way to limit overspending and keep savings on target is to craft a budget and adhere to it. But you can't create a budget without first getting a realistic view of your income, spending, and savings patterns right now. After analyzing that information, you can then formulate a budget that takes into account your income and any adjustments you're willing and able to make to your expenditures.

The final step in the process is to monitor your progress toward your budget targets on an ongoing basis. If your original budget assumptions were unrealistic or if something material has changed in your household's financial picture, adjust your budget accordingly. ■■■

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