

Love & Money

February Pay Day Pointer

Love-hate relationship with money?



The kind of relationship you have with money will be reflected in your Financial affairs. This reality is most clearly illustrated in a common phenomenon called the "Lotto effect" which refers to people with a history of financial difficulties who win the Lotto or inherit a vast amount of money, only to find themselves in financial trouble again a few years later.

The Lotto Effect

While many people believe that if they simply had more money, all their financial problems would disappear, the "Lotto effect" clearly illustrates that people who cannot manage R5 000 a month will do no better financially with R50 000 a month.

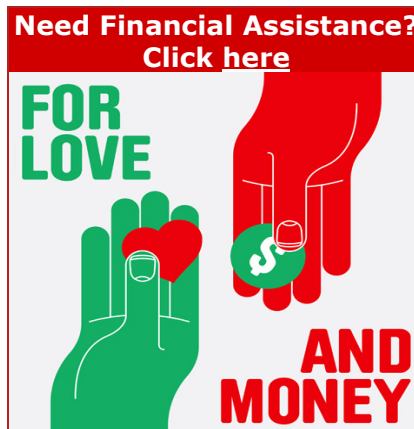
Money is not the problem

It is not about how much money you have, but rather what you do with it that is important.

Here's an example: If you are between the age of 25 to 60, you spend R3.50 a week on playing the Lotto, you would have spent R57 357 and have nothing to show for it at age 60. Even if you did win the Lotto you may fall prey to the "Lotto effect". If, on the other hand, you saved that R3.50 so it can earn interest for you, you would accumulate R103 507 by age 60, without you having to work for it!

Money is a tool

Once you realise the value of money and the effect of compound interest, you can begin to understand that even a small amount of money can be a powerful tool to help you create a life that you love.



Base your relationship with money on respect for its value and what it can do for you. Spend quality time on understanding and maximising this value and watch it become one of the most powerful tools for you to create the life you want.

Tips to maximise the value of your money:

1. Invest in your own knowledge and skills to boost your earning capacity and to enable you to maximise the value of every cent you earn.
2. Always look for the best value for your money – from insurance policies, bank charges and home loans to groceries or a new vehicle.
3. "A penny saved is a penny earned". Saving R500 a month in interest on credit accounts is the same as earning an extra R500. Avoid buying on credit and pay off your existing debts as fast as possible.
4. Save and invest! Compound interest maximizes the value of money exponentially over time.
5. Create a financial strategy with your life partner to maximise the value of your joint income and to ensure the value of your joint efforts bring you closer together, instead of money coming between the two of you.
6. Help your children to see money as a tool to create the lives they want - it is one of the greatest gifts you can give.

Yours in financial health,

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