

STREETWISE FINANCE

“To provide basic financial literacy (‘be streetwise’) to the people of South Africa, one group at a time; thereby creating a broader, more financially literate community and nation.”

Module 2

Banking • Lending • Saving

Hollard.

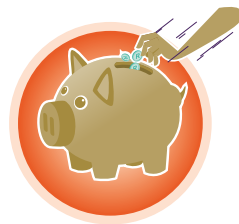
This booklet will help you gain an understanding about banking, saving and lending



Banking



Lending



Savings

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Banking

A bank is a regulated financial institution where customers can deposit money into a personal account, such as a savings or cheque account, for the purpose of saving and managing their money securely. Banks also provide lending services, such as short-term loans, credit cards and bonds.

Bank charges are charges made by a bank to their customers, such as monthly charges for having an account and charges made when withdrawing cash. Bank charges vary according to service providers.

Different ways to withdraw money and interact with a bank



ATM

An ATM is a safe and convenient way to access your money, check your balance, transfer money and perform other transactions.



Till withdrawals

You can draw money, up to your daily limit, at the till while paying for your groceries.



Tellers

Tellers help you to do your banking when you visit a branch. Fees are higher than when doing a transaction at an ATM.

Electronic banking

Electronic banking allows customers to conduct financial transactions by using the internet or a cellphone, without the need to go inside a bank. The customer must first register for the service at the institution where they have their bank account and set up a password. After this they will be able to log in and perform transactions on their accounts, such as cheque, savings, loans and credit card accounts.

Some examples of electronic banking



Internet banking

This is a safe, easy and convenient way to do your banking no matter where you are.

Cell phone banking

Cell phone banking allows the customer to do safe and secure transactions through their cell phones and tablet.



e-Wallet

e-Wallet allows customers to send money to anyone with a valid SA cell number.

Advantages of electronic banking



Convenience

Access your accounts and conduct transactions anytime, anywhere without visiting a branch.



Speed

Transactions such as payments and transfers happen instantly or within a short time frame.



Access to multiple services

Manage various accounts (savings, loans, credit cards) in one place.



Cost-effective

Often lower fees than branch transactions, and no travel costs.

Disadvantages of electronic banking



Risk of scams and fraud

Cybercriminals may attempt phishing, hacking, or other scams to steal your personal information or money.



Technical issues

System outages, poor internet connectivity, or app glitches may temporarily prevent access.



Security risks

Using public Wi-Fi or unsecured devices can expose your banking details to hackers.



Limited personal interaction

No face-to-face support, which may be challenging for complex queries or for customers not comfortable with digital tools.



Use strong, unique passwords and change them regularly.



Enable two-factor authentication (2FA) wherever possible for added security.



Avoid using public Wi-Fi for banking transactions. If necessary, use a secure VPN connection.



Keep your devices updated with the latest security patches and antivirus software.



Be cautious of unsolicited emails, SMSes, or calls asking for personal information or prompting you to click on links. Always verify with your bank directly.



Set transaction limits and alerts to monitor and control banking activity.



Log out completely after completing your transactions, especially on shared or public devices.

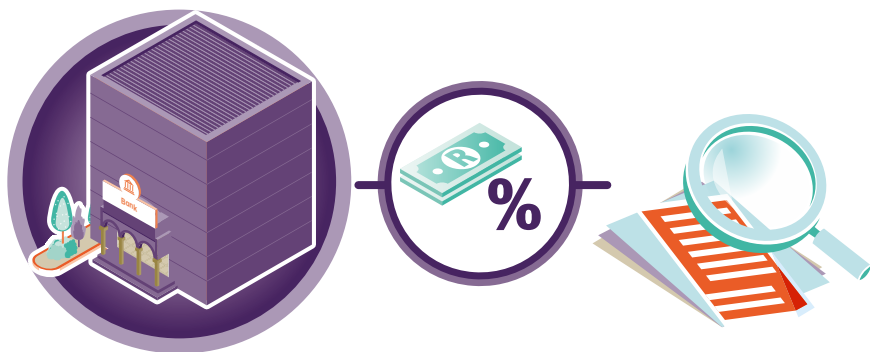
Choosing the right bank account for you

Not all bank accounts are the same. It's important to choose a bank account that fits your needs and lifestyle, not one that sounds prestigious or is associated with social status. Here are a few things to consider when choosing a bank account:



Income level

Some accounts have minimum income requirements.



Bank charges

Compare fees for different services such as withdrawals, debit orders and transfers.



Digital access

Can you access your account easily through an app or online?

Choosing the right account can help you avoid unnecessary bank fees and manage your money better.

DebiCheck Debit orders

What is DebiCheck?

DebiCheck is a new type of debit order used by banks in South Africa. It is a debit order you have to confirm electronically at the start of a contract or when you want to change any of the debit order details on an existing contract.



Why is DebiCheck being implemented?

This is being implemented to empower you as a consumer as this initiative enables you to have full control over authorising all debit orders that are known to you and helps manage those that may be unknown to you.



Why is this important for me as a consumer?

This protects you as a consumer from unauthorized debit orders and potential fraud, and gives you full control over your debit order allocations. You have to approve each debit order electronically before any money can be taken from your account. This means you can stop any debit orders you don't recognise or didn't approve.

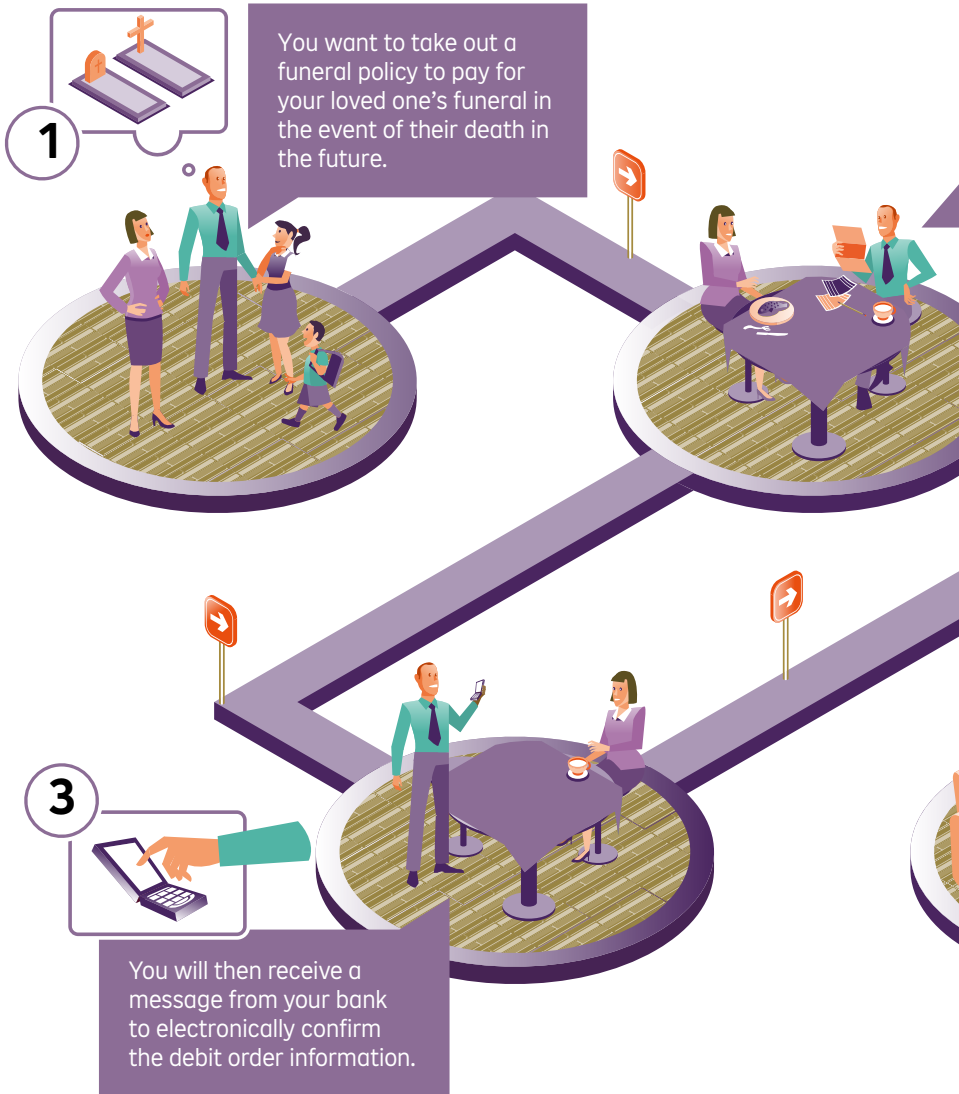


What to know about confirming your DebiCheck debit order ?

- You only need to confirm a DebiCheck debit order once, at the start of the contract or when you make a change on an existing contract.
- You confirm your debit order on your cell phone, your bank app, your personal computer, a POS device or an ATM.
- Your bank will send you a message – you must check it to ensure the debit order information is correct. The message will tell you how to confirm the DebiCheck debit order.
- When you confirm the debit order, it means that you are accepting the terms of that debit order.
- Confirming a DebiCheck debit order is simple and safe!
- It is important that your bank has your correct cellphone number as this is how they will ask you to confirm your debit order.
- If you get a DebiCheck request but didn't set up or change any debit order, do not confirm it. Contact your bank immediately to report it as this could be a sign of fraud.



The DebiCheck process



2



In order to get the funeral cover, you have to sign a contract and agree to pay a monthly instalment.



4

You electronically confirm the debit order information with your bank's ATM, banking app, online banking, USSD, branch, or contact centre.

6



You and your bank now have a valid and confirmed debit order agreement for the duration of your funeral policy agreement.

5



Your bank creates the debit order mandate on your account.

Lending

Lending is when an institution or person (the lender) temporarily provides money to another person (borrower) on condition that the amount that was borrowed will be paid back, usually with interest charged and additional fees which may apply. The time over which the loan will be paid back and the interest rate should be agreed upfront. A loan is also referred to as credit.



Interest rates

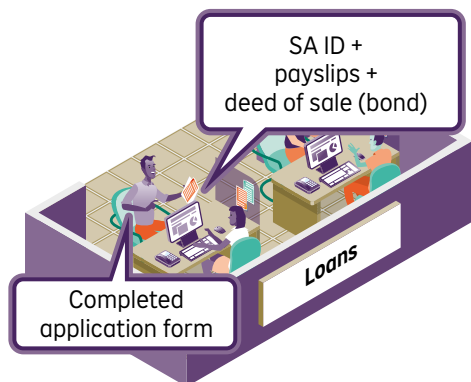
This is the amount you are charged to borrow the money from the lender.



Debt counselling

If you need help with your debt, it's a good idea to look for a debt counsellor.

Applying for a loan



STATEMENT	
Loan	R 1000
Repayment due this month	R 100
Paid this month	R 0
MISSED PAYMENT !	

Applying for credit

You need to complete an application form and provide your ID and payslips in order to apply for credit. If you are buying a house, you need to provide the Deed of Sale or approved building plans.

Default

This is when someone does not pay what is expected in their contract. In lending, you would default if you didn't make a repayment on the amount you owe.

Types of lending



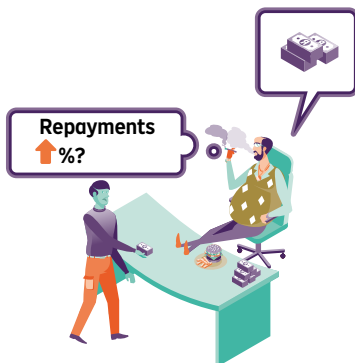
Short-term borrowing

This is when money is borrowed and repaid over a short timeframe (3 months to 5 years) with a higher interest rate than a long-term loan.



Bond

The bank lends money to a customer to buy a house in exchange for repayment with interest over a set timeframe.



Mashonisas

These loans are mostly unplanned and are repaid by various family members. They are also repaid at a much higher interest rate than formal loans. They are not regulated by the National Credit Regulator (NCR).



Pawn brokers

Pawn brokers will lend you money in exchange for personal items. If you do not repay them, they will sell your personal items.

Types of lending (continued)



Hire purchase

In this case the buyer purchases goods by paying a deposit and then paying the remainder of the purchase price plus interest over an agreed period of time.



Example
Limit: R5 000
Interest: 25%

Credit card

A credit card is a bank-issued card that allows you to purchase goods and services on credit.

Understanding your credit profile and credit score

Your credit profile is a record of how you manage debt and repay loans, while your credit score is a number that shows lenders how trustworthy you are when borrowing money.



Why is your credit score important?

- Lenders use your credit score to decide if they will approve your loan or credit card application.
- A higher credit score means better chances of approval and lower interest rates.
- A low credit score may lead to higher interest rates or your loan application being declined.



How to check your credit score and report

- You can get your credit report from credit bureaus like TransUnion or Experian.
- Your credit report shows your credit accounts, payment history, and any defaults or negative entries.
- You are entitled to one free credit report per year.

What is a good credit score?

Score	What it means
767 - 999	Excellent
681 - 766	Good
614 - 680	Favourable
583 - 613	Average
527 - 582	Below average
487 - 526	Unfavourable
0 - 486	Poor



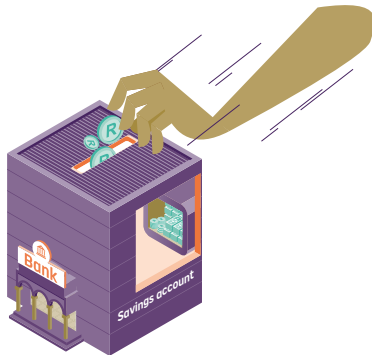
Tips to improve your credit score

- Always pay your bills and loan repayments on time.
- Keep your credit card balances low.
- Avoid applying for multiple credit products at once.
- Regularly review your credit report for errors and dispute any mistakes.
- Reduce your overall debt gradually.

Saving

Savings is money that has not been spent, but instead placed in an institution, such as a bank, pension plan or investment, to be kept safe. Savings usually earn interest which helps the money to grow with inflation. Money can also be saved in other ways, such as a money box or stokvel, which is less secure and does not necessarily earn interest.

Different ways to save money



Bank savings account

Savings accounts are easy to access and you can earn interest on your money.



Retail savings bond

This investment allows you to earn interest on your money over a set period of time.



Savings interest rates

This is money you earn when your money is invested or kept in a bank account.

Different ways to save money (continued)



(No interest earned)

Money box

Kept at home and money can be added or accessed easily. You will not earn interest.



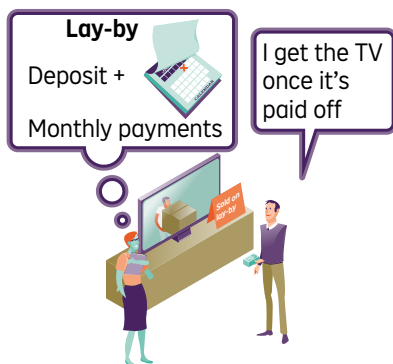
Stokvel

Each member in a stokvel pays in a set amount of money. One member will receive the money each month.



Money stamps

You can accumulate money stamps and use them to buy groceries.



Lay-by

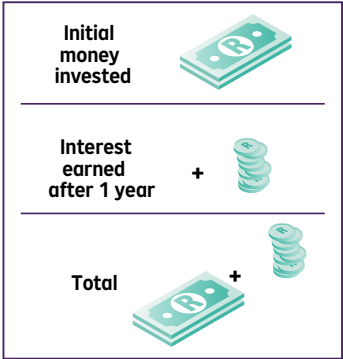
This is when you purchase something on credit but cannot take it home until it is paid for in full. You do not pay interest.

Interest rates

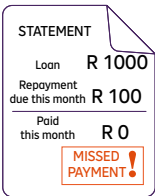


Interest rate
The % that your saved money or investment will earn in a year.

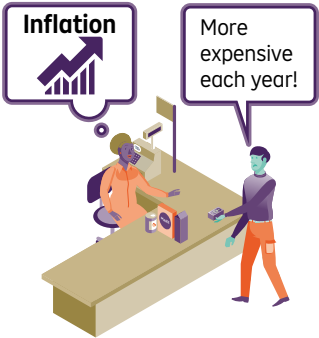
Return on investment
This is the amount of income an investment provides in a year.



Default
This is when someone does not pay what is expected in their contract. In savings and investment, you would default if you didn't pay in the monthly amount on your policy.



Inflation
This is how much more money you'll need every year to buy the same things you could buy the year before.



Compound interest
This is when the interest you have earned on your savings or investments is reinvested or left in your savings account and you earn interest on your original amount and the interest earned.

Year	Start	Year 1	Year 2	Year 3
Invested	 Initial money invested		 +	 +
Interest earned:		 +	 +	 +

Remember the following 7

STEP
01

Choose a savings goal



STEP
02

Make a savings plan



STEP
03

Know the differences between
needs and wants



STEP
04

Control spending



STEP
05

Think about the future:
money in and money out



STEP
06

Save regularly



STEP
07

Save in a safe place



Your personal savings goal

Find areas where you can save money each month

It may seem impossible to save if you do not have extra money, but if you examine your spending you may find areas where you can cut your spending. Also, paying off debt will reduce monthly payments, freeing money for saving.

Item	Weekly saving	Monthly saving
1.	R	R
2.	R	R
3.	R	R
4.	R	R
Total	R	R

How much does this add up to per year? (Total monthly saving x 12)

Actions required to create the savings (e.g. bring your own lunch to work)

What will you do with your savings? Write some ideas of accounts or investments that will help your money grow over time.

What is your savings goal? Where do you want to be in 5 years?

Building an emergency fund

Life happens to all of us

No matter how carefully you plan your budget, unexpected things will happen. Your geyser might burst on a Sunday morning. Your child might lose their school sports uniform before a major school sporting event. The taxi strike may force you to find alternative transportation to get to work.

These aren't signs of bad planning; they're just life. Emergencies don't check your bank balance before they happen, and they don't wait for payday either. These situations are exactly why it's important to have an emergency fund.



What is an emergency fund?

An emergency fund is money that you set aside specifically for unexpected expenses or financial emergencies. This is not money for groceries, rent, new clothes, or even treating yourself. It's a financial safety net for when life throws you a curveball.

The emergency fund should be kept separate from your everyday spending money, ideally in a savings account that you don't touch unless there's a real emergency.

Think of it as your financial shock absorber, something that keeps you steady when life surprises you.



Why must you budget for emergencies?

When you have an emergency fund:

- You won't panic when something goes wrong because you know you have money put aside.
- You avoid expensive debt from loan sharks/mashonisas, or credit cards.
- You can handle emergencies without asking family or friends for money.
- Your savings for other things stay safe.
- You sleep better at night knowing you're covered.



Advantages of having an emergency fund:

- You avoid debt spirals: no need for loan sharks/mashonisas, payday loans, or maxing out credit cards.
- You stay financially stable: one emergency doesn't derail your entire budget.
- You make better decisions: when you're not desperate, you can shop around for better prices.
- You protect your relationships: you don't have to borrow from friends or family.

Disadvantages of NOT having an emergency fund:

- You borrow recklessly: when emergencies hit, you take any loan you can get, often with high interest rates.
- You get trapped in debt: paying back loans at month-end leaves you short, so you borrow again.
- You experience constant stress: living paycheck to paycheck with no backup is exhausting.
- **Month-end pressure:** money that could have gone to food goes to paying back emergency loans instead.

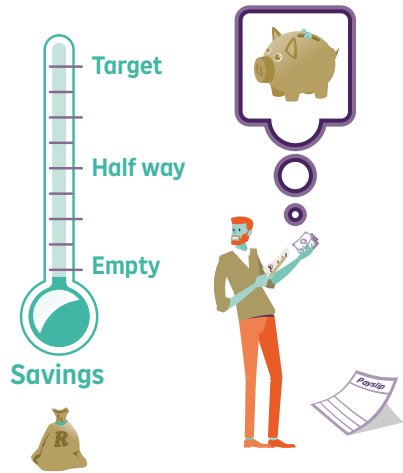
It's a tough cycle to break but an emergency fund helps you stay in control.

Even small amounts help

You don't need thousands of rands to start an emergency fund. Even R50 or R100 a month makes a difference if you protect it and don't dip into it for non-emergencies.

Small amounts add up: R100 a month equals R1,200 a year, which could cover a burst geyser call-out or keep you going during a taxi strike.

The key is: Start small but start now. Put it somewhere separate. Only use it for real emergencies and not for poor planning, like forgetting about airline.



What counts as an emergency?

Not everything that feels urgent is an emergency. Here are examples of real emergencies where you'd need your emergency fund:

1. Home Emergencies

Examples:

- Burst geyser.
- Blocked drain.
- Power tripping from damaged wiring.



Why it matters:

You can't wait a week to fix these. Plumbers and electricians often want cash up front, and insurance doesn't always cover everything or takes time to pay out.

Typical cost: R500 – R3,000 for call-outs and basic repairs.

2. Medical emergencies

Examples:

- ER visits for injury or illness.
- After-hours GP bills.
- Emergency medication or gaps not covered by medical aid



Why it matters:

Medical aid has gaps. Co-payments, medicine not on the formulary, or treatments at non-network facilities all come out of your pocket.

Typical cost: R500 – R2,500 for gap payments and uncovered treatments.

3. Children and school emergencies

Examples:

- Lost sports uniform.
- Last-minute school trip deposits.



Why it matters:

Schools often need payment immediately. Your child can't participate or do their work without these things.

Typical cost: R200 – R1,500 per incident

4. Family responsibilities (Ubuntu moments)

Examples:

- Sudden funeral contributions.
- Helping a family member in crisis.
- Urgent travel to see a sick relative.



Why it matters:

In South Africa, supporting family is part of our culture. These expenses can't always wait for payday, and saying no isn't always an option.

Typical cost: R500 – R5,000 depending on the situation

How to start building your emergency fund:

STEP
01

Decide on a small, realistic monthly amount (even R50 is a start)

STEP
02

Open a separate savings account or join a savings stokvel

STEP
03

Treat it like a bill – pay into your emergency fund every month

STEP
04

Build up to at least R1,000, then aim for R3,000, then 1 month's expenses

STEP
05

Only touch it for real emergencies – then rebuild it immediately after

Helpful tips when building an emergency fund

- **Keep it separate:** Don't mix your emergency fund with your everyday spending money. Open a separate account or use a stokvel.
- **Automate it:** Set up a debit order on payday so the money moves before you can spend it.
- **Start small, think big:** Don't wait until you can afford R500 a month. Start with R50 and increase it when you can.
- **Rebuild after use:** If you have to use your emergency fund, make it a priority to rebuild it as soon as possible.
- **Tell someone:** Share your goal with a trusted friend or family member who can encourage you and help keep you accountable.

Regulation of financial services



What is NCA?

The National Credit Act (NCA) protects consumers and promotes responsible lending. It requires lenders to:

- Assess whether you can afford the loan before approving it
- Give you a clear contract outlining the repayment terms and interest rates
- Not force or mislead you into taking credit you don't need
- Explain your rights and responsibilities in a language you understand

Tip: You have the right to say NO to:

1. A loan or credit offer
2. An increase in your credit limit (for example, on a credit card or store account) if you didn't ask for more credit, you don't have to accept it!



What is FAIS?

FAIS refers to the Financial Advisory and Intermediary Services Act (37 of 2002), a South African law that regulates financial service providers (FSPs) by requiring them to be licensed and adhere to a code of conduct to protect consumers of financial products. The Act aims to ensure that financial advice is competent, professional, and that clients receive sufficient information to make informed decisions, thereby professionalising the financial services industry and enhancing consumer rights.

What is FICA?

FICA refers to the Financial Intelligence Centre Act which is a South African law enacted in 2001 to combat financial crimes like money laundering, terrorist financing, and fraud by requiring institutions to identify, verify, and keep records of their clients' information. It also established the Financial Intelligence Centre (FIC), an entity responsible for overseeing compliance and receiving suspicious transaction reports.

Contact Details

South African Insurance Association	011 726 5381
Association for Savings and Investments SA	021 673 1620
FAIS Ombudsman	086 066 3274
Short- Term Insurance Ombudsman	011 726 8900
Life Assurance Ombudsman	021 657 5000
Financial Sector Conduct Authority	0800 203 722
National Credit Regulator	0860 627 627
National Financial Ombud Scheme (NFO)	0860 800 900
Banking Ombudsman	0860 800 900