



Welcome again to the Public Awareness column provided by the Reserve Bank of Fiji (RBF). This month's article provides some tips on how we can all save some money and spend wisely this Christmas season.

WATCH YOUR MONEY DURING THIS FESTIVE SEASON

We are fast approaching that time of the year again, where many people fall into the “overspending” trap. Yes, Christmas is just around the corner and the debt trap is also waiting. Many people overspend on presents, parties and food and find themselves in a difficult financial position in the New Year.

Christmas may be a time for giving and receiving, but not to excess. The financial downturn is affecting everyone this year, so now is the perfect time to start some sensible planning during this festive season.

The article below will give you some tips on how to overcome the debt trap and create a path towards financial stability starting today.

1) Christmas Planning

➤ Plan a Christmas Budget and Stick to It

The most important factor is to decide on a figure you can realistically afford, taking into account any money you have put aside, and any surplus income that you can afford in the run up to Christmas. Break the total amount down into budgets for gifts, food, trip to the village, holiday and other expenses.

➤ Spend Less on Christmas Gifts

- Make a list of people you normally give presents to, and only tick those you really need to buy a present for.
- Allocate a budget for each person and stick to it.
- Discuss gift giving with your friends. You might be able to mutually agree not to give a gift this year, or only buy something small.
- Set a family/friends/office challenge, where everyone is only allowed to give presents that cost under \$5. Try to find the most inventive gift for the smallest price tag.
- Opt for Secret Santa. That way, each person only has to buy one present for his or her allocated family/friend/office member.
- Make your own gifts. If you enjoy crafts, art or cookery, put your talents to good use and give personal, handmade Christmas gifts that will be treasured.

- Extend your Christmas craft to cards and wrapping. Make your own Christmas cards, make wrapping paper out of magazine and material montages, and cut up last year's Christmas cards to make gift tags.

➤ **Cheap Christmas Food and Bargain Christmas Decorations**

- Shop around for the best deals on Christmas food, and only buy what is needed. Everyone is usually too full up after dinner to want more to eat, so there is no need to overstock on the desert.
- Homemade baking not only tastes better, but costs less too. Pull out recipe ideas from newspapers, magazines or from the internet.
- Try a Christmas buffet rather than a full Christmas dinner, or ask your guests to each bring along something to supplement the occasion, such as desert, drinks etc.
- Make your own homemade decorations, or pick up beautiful vintage bargains at garage sales or second hand shops.
- Save money on a tree by decorating one in the garden with lights instead.

➤ **Spend Less this Christmas and Beat the Christmas Credit Crunch**

Most importantly, keep away from Christmas credit. The true spirit of Christmas is not about who buys the best presents or who receives the most. Avoid using the credit card unless you know you can afford to pay it off in full.

➤ **Make a New Year's Resolution to Save Money**

If you are expecting this Christmas to be a struggle, use it as an incentive to start saving in the New Year. By putting money away each month, you will have enough to see you through any cash flow emergencies, and have a Christmas fund to treat family and friends to a little bit more next year.

It is never too early to start; an ideal present during Christmas for your children is to reward them with a money box or better still open a new savings or investments account for them. Plus, you can make banking and investing a family affair. Having your kids experience the art of saving and investing at an early age will instil in them a lifelong survival technique, teaching them to be disciplined and responsible. Thus, it is never too early to encourage long term savings and investment.

2) Benefits of Saving Money

It is no secret that conserving money is crucial. In a time when employment numbers are falling and the price of food is rising; saving money is a must if you want to survive this economic misfortune. You can start doing this by taking account of every dollar you earn and spend.

What are the advantages of saving?

➤ **Peace of Mind**

When you save money consistently, your saving will give you "peace of mind". You are more likely to sleep better at night knowing that you have additional money put aside for your rainy days. Peace of mind translates into better relationships because if you can sleep better at night, you will be more alert and receptive to the needs of your spouse, children and friends. It is said that most stress originates from financial worry so saving will reduce this type of concern.

➤ **More Income**

Saving money means you will have more of it at the end of the year. This is what saving money does. It allows you to have more of the money you earned.

➤ **Monetary Safety Net**

Saving money provides a financial net of safety just in case you lose your job, become disabled or can no longer work. Life is uncertain, but money does not have to be. Having an emergency fund to look after your needs for at least 6 months is a good start. When you save money you actively build this net for emergencies. Things happen, and what this does is protect you from suffering economically until you are on your feet again.

➤ **Saving Earns Interest**

Allocating money in a certain savings account will allow it to earn interest. Banks pay interest on deposits, so the more money you save the more interest you earn. This is way better than keeping money at home under the mattress. For example if a person saves \$10 a week and puts it in a savings account that earns 5% interest. After one year he would have saved \$525.20.

➤ **More Options**

When you decide to save money and make it a lifestyle, an array of choices are available. You could invest your extra income and savings in the stock market or unit trust fund or purchase something you need. It is nice to have some "wiggle" room.

Now is the time to save money. All you have to do is look at the news and see that times will only become more difficult before they get better. The only way for anyone to thrive during challenging periods is to set aside money for the future. You must take your financial destiny into your hands because no one else will.

3) How to Spend Your Bonus

There are so many ways to spend that fantastic bonus cheque that many receive at the end of the year. But wait! Don't spend in a hurry. Take some time to consider all the useful options for your money. Below are some tips you can consider:

- Set a budget and don't forget to pay yourself also as a reward for that hard work;

- Eliminate debts first. Sure, a holiday would be great, but paying off a large portion of your hire purchase or loan will save you money and provide some peace of mind;
- Invest the extra income either in an insurance policy, unit trust account, or listed company shares for you and your children. This money will grow and can look after the schooling and tertiary needs of your children when they grow up.
- Make a list of your immediate needs and prioritise what you urgently need to purchase first.

4) **Passive Incomes**

Have you ever wanted to receive regular income while using little effort? Does the phrase “Work smarter, not harder ring a bell?” Well that income is what we call passive income.

There are many wealth creation strategies and investment techniques available to those who are looking to create a passive income. These fall into the following three main categories: running a business, investing in property and investing in the capital market. Although there are many options in each of these areas, finding the right wealth creation strategy for you is not that hard.

The formula for Wealth Creation is relatively simple. In order to increase your wealth, you need to increase your wealth generating activities. Creating a Passive Income gives you more time and money to spend on living your life. Passive income is generated when you are making an income without having to work for it. For example if you own shares in a company or unit trust that pays you annual dividends, or perhaps a piece of real estate that generates capital or rental returns.

All these investment techniques earn you passive income, because you are not limited by the amount of hours you can spend per day working on them. Instead of working for money, you now have money working for you.

There is a growing range of products to choose from. You can now invest in shares, units in a unit trust, fixed income securities, insurance products, term deposits and other wide range of products.

So why not start following these tips today to pave the way to your secure financial future.

This article is provided by
Financial Systems Development & Compliance Group (FSDC)
 Reserve Bank of Fiji
 Level 6 Reserve Bank Bldg, Suva.
 Tel. 3313 611/Fax. 3301 688
 Email. info@rbf.gov.fj

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