Understand

**1 What two things can you do with your income?**

You can either spend or save your income.

**2 What is a ‘savings plan’? Why is it important?**

A savings plan is a medium to long-term plan to save money while taking into consideration occasional spending indulgences. A savings plan is important because it allows you to prepare a budget that caters for the occasional unexpected expense.

**3 Why is it important that a savings plan not be too restrictive?**

It is important that a savings plan is not too restrictive because it may be too difficult to stick to.

**4 Explain how impulse buying can quickly damage a person’s savings plan.**

Impulse buying can quickly damage a savings plan because such unforseen purchases are not included in the plan. Impulse purchases can prevent you from reaching the goal of the savings plan.

**5 Explain how preparing a savings plan could help Russell save some of his money.**

Some of the things Russell should consider when setting up a savings plan are:

• avoiding impulse buying such as the T-shirt on sale

• limiting his spending on entertainment to a certain amount each week

• taking lunch to work

• setting himself a goal to save a certain amount each week.

**Think**

**6 Why do you think Russell spent most of his first pay within half an hour?**

Russell was excited about his first pay and did not stop to think about what he was doing. He did not have a savings plan in place.

**7 Elsa Piccoli says that she does not save regularly because the amount she can afford to save is too small. Is this a good reason? Explain.**

It is not a good reason because even a small amount of saving, if deposited regularly, will grow over time. By evaluating her expenses each week, Elsa could find ways of decreasing some of her expenses which could also increase the amount of money she could save.

**8 What is the relationship of wise money management to a savings program?**

Wise money management has a direct relationship to a savings program. If you manage your money wisely you will:

• make long-, medium- and short-term budgets to cater for a variety of expenses and needs

• avoid impulse buying and consider purchases carefully

• shop around for the ‘best price’ or ‘best deal’.

All these things will have a positive impact on the

savings program.

**9 Savings hidden in a jar is money that is not working for you. What other reasons can you give why savings should not be kept in a jar?**

Money should not be kept in a jar because:

• it is too easy to access the money if you are tempted by an impulse purchase

• someone could steal it

• it does not make any interest which could be achieved in a savings account.