



# **MONEY MATTERS**

**WELCOME TO FINANCIAL BOOM!**

## Session 2 – Wealth Management: Investing and small business







**BAD DEBT**

Stop trying to keep up with the Joneses.

The Joneses are BROKE.

**DON'T BUY THINGS YOU CAN'T AFFORD WITH MONEY YOU DON'T HAVE TO IMPRESS PEOPLE YOU DON'T LIKE.**



#### NON-INCOME GENERATING

- Personal Home Loan

#### INCOME GENERATING LONG TERMS

- Vocation Loans (Student Loan)
- Business Venture Capitol

#### INCOME GENERATING

- Residential Property
- Commercial Property

## Good Debt



# PROPERTY INVESTMENT EXAMPLE OF GOOD DEBT (And Passive Income)

BUDGET BEFORE PROPERTY INVESTMENT			
TYPICAL INCOME	MONTHLY	ANNUALLY	
SALARY	R 30 000		
RENT INCOME			
UIF (1%)	R 300		
PROV TAX	R 5 790		
Note: Tax rebates excluded			
TOTAL	R 23 910	R 286 920	
TYPICAL EXPENSES			
Home Bond	R 3 500		
House keeping	R 6 000		
Car Payment	R 4 500		
Medical plan	R 1 850		
Petrol	R 1 500		
Entertainment	R 1 500		
Giving	R 2 500		
Savings	R 1 000		
Extra Bond			
TOTAL	R 22 350	R 268 200	
TYPICAL BAL	R 1 560	R 18 720	



PURCHASE A RESIDENTIAL PROPERTY			
HOUSE PURCHASE FINANCIALS			
HOUSE PRICE	R 1 200 000		
DEPOSIT	R 400 000		
Note: + Transfer & Bond Costs			
BOND AMOUNT	R 800 000		
INT (Prime - 2%)	7.50%		
PAYMENT PERIOD	20 YEARS		
MONTHLY PAYMENT	R 6 445		
INT Portion	R 5 000		
Capitol Portion	R 1 445	R 17 337	
HOUSE EXPENSES (SARS PERSPECTIVE)			
Rates & Taxes	R 950	R 11 400	
Note: Services costs passed on to tenants			
Insurance	R 220	R 2 640	
Maintenance	R 500	R 6 000	
BOND Int portion	R 5 000	R 60 000	
TOTAL	R 6 670	R 80 040	
RENT OF PROPERTY	R 8 000	R 96 000	
NET PROFIT	R 1 330	R 15 960	



BUDGET AFTER PROPERTY INVESTMENT			
TYPICAL INCOME	MONTHLY	ANNUALLY	
SALARY	R 30 000		
RENT INCOME	R 1 330		
UIF (1%)	R 300		
PROV TAX	R 6 187		
Note: Tax rebates excluded			
TOTAL	R 24 843	R 298 116	
TYPICAL EXPENSES			
Home Bond	R 3 500		
House keeping	R 6 000		
Car Payment	R 4 500		
Medical plan	R 1 850		
Petrol	R 1 500		
Entertainment	R 1 500		
Giving	R 2 500		
Savings	R 1 000		
Extra Bond	R 1 445		
TOTAL	R 23 795	R 285 537	
TYPICAL BAL	R 1 048	R 12 579	



	MONTHLY	ANNUALLY
DIFFERENCE	R -512	-R 6 141

## Starting a business or an investment - process

- ◆ Viability? (Is there a need / competition / Market Research)
- ◆ Do you have the knowledge / experience?
- ◆ How will you fund it?
- ◆ Where will you locate it? (suitability)
- ◆ Business models (business plan)
- ◆ Test your idea (council)
- ◆ Understanding Cash flow
- ◆ Implementation Plan
- ◆ Constant assessment