



Leaving the Nest

Author: **Chandu Kashiram**

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Having entered your first job, you want your own space. At best, leaving the nest can be overwhelming. You get used to parents taking care of almost everything. In your own place, this is all on you. Before you know, your expenses are getting away from you and you run the risk of a debt crisis. You are overwhelmed. If you want to know what to do, read on.

This **KWIK series** aims to start conversations amongst individuals, social groups, and in organisations. We share practical knowledge – built up over decades, and which would have helped us if we knew it earlier. We believe that people between 25 and 45, if they have access to this knowledge, are ideally placed to lead in rebuilding South Africa.

Think About

- Do you have a detailed budget?
- Do you have a credit card?
- Are you renting or have a mortgage?
- Do you own a vehicle?
- Do you have medical aid or health insurance?
- Are you running out of cash at or before the end of the month?
- Do you know what your bank balance is?
- Do you regularly check your bank statement?
- Do you spend first and look at your bank account later, or not at all?
- Are you paying the minimum amount on your credit card?
- Are you borrowing money from your family and friends?

Universities or colleges do not teach you how to run a home, how to budget, and how to control your expenses. They also don't teach you much about the time-value of money, how to save, and how to make sure you don't fall into a debt trap. Simply put, a debt trap is when you have borrowed more than you can afford, and you are constantly behind with your payments. You borrow more to pay the monthly debt instalments. You are trapped. But it does not have to be like this. I started work as an article clerk with minimum wage. I still managed to save some money at the end of the day. My financial advisor helped me live my dreams and retire at the age of 55. We followed a 5-year saving cycle. I would invest in subscriptions shares for 5 years. Each year that I got an increase, I used 50% of the increase to start the next 5-year subscription cycle. After 5 years, a lump-sum would be available for me, each year, to pay for a big-ticket item, such as a deposit on a car or a holiday. This system can be continued for as long as you like. If I got a bonus or increase, 50% would go into an RA or an investment based on a proper financial assessment. The growth in my investment is based simply on the principle of 'time-value of money'. R1 invested today will be worth R1.10 in a year's time. You may say this sounds great if you get increases and bonuses. That is true. Times are tougher these days. If you miss an increase or a bonus, look for opportunities to save money from your existing budget. R300 seems like a lot to save, but it's one lunch with your friends or a few take away meals on a Friday night. If it is still tough, get a side hustle. But do everything to save rather than living on credit. The latter is not sustainable.

Practical Tips

- Prepare a detailed budget. The top ten items when you have your own place are (1) rent, (2) utilities, (3) food/groceries, (4) vehicle expenses or public transport, (5) medical aid/health insurance, (6) cell phone, (7) internet/Wi-Fi, (8) laundry and cleaning supplies, (9) entertainment and (10) furniture/household items. The total low-end estimate is between R13k to 18k per month. High end estimate is between R28k and R40k per month.
- Keep a spreadsheet to analyse your bank statement/s. Banks offer programmes, but this is too easy, so we don't read them. By punching in each expense into a spreadsheet will make you appreciate the value of what you spend.
- Remember, expenses will rise to meet your income. If your income rises, so should your savings.
- Time is money. The earlier (in life) you start investing and the longer you stay invested, the more money you will make.
- Make use of the services of a well-qualified and experienced financial advisor.
- Take advantage of the tax breaks offered by SARS, such as Retirement Annuities and Tax-Free Savings Accounts.
- Use your lump-sums (from the 5-year subscriptions) to place a large deposit on high value capital items such as a motor vehicle. This will reduce your monthly payments and interest burden, which can in turn be saved for your next item, creating a virtuous cycle.

- We provide coaching and mentoring sessions for young leaders wishing to equip themselves with knowledge to make a difference in society.
- Coaching takes place face-to-face or online, one-on-one or in groups – as suitable for participants.
- Requests for topics to be covered in this series are welcome.
- Other Lucidum Learning resources are available on our website at www.lucidum.africa.

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www.lucidum.africa

Chandu Kashiram

+27(0)82 442 8377

chandu@lucidum.africa

