

## Module 1

# Know your money



### Learning outcomes

- Illustrate an understanding of financial self-awareness.
- Demonstrate an understanding of the Credit Bureau.
- Demonstrate an understanding of a credit score or profile.
- Outline and understand the benefits of a good credit score.
- Understand your credit score
- Apply principles to improve your credit score
- Identify and apply key tips about money awareness.
- Interpret and understand your Bayport Credit report

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## Introduction

Financial Wellness starts with understanding your own financial position, your behaviour towards money and your creditworthiness.

## Become aware of your financial situation

Financial wellness begins with understanding your own current financial situation. Are you an entrepreneur, a big spender or a money master? By understanding your financial position, you will empower yourself to plan for short- term and long-term goals. It will also give you an indication of whether you are adequately insured, and whether you and your family have the financial security for those times when unexpected things happen in life. Understanding your money means knowing exactly what you really earn per month, including any extra income that you may receive from time to time. Your income and spending should form part of your monthly budget and a spending plan that will help you to manage your income and expenses, keeping you in control of your money.

## Understanding the Credit Bureau

A credit bureau is an organisation that records all credit applications, credit agreements, payment history, and payment behaviour, as well as other consumer's credit-related information. The information stored by the credit bureau is a combination of both positive and negative information and it is a vital tool to enable responsible access to credit.

The Credit Bureau takes all this related information and compiles a credit report for you. This is a record of your credit information indicating how you manage and repay all credit extended to you. They make this information available to you and provide this credit information to creditors, such as Bayport Financial Services so that they can make a decision on granting future credit.

According to the National Credit Act, every consumer has the right to one free credit report once in a 12-month period from the following credit bureaus:

- TRANSUNION (ITC) – 0861 482 482
- EXPERIAN – 0861 10 56 65
- XPERT DECISION SYSTEMS (XDS) – 011 645 9100
- COMPUSCAN – 0861 51 41 31

Bayport Financial Services offers a free credit health report on their website which includes all your vital credit information.

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## Know what your credit score means

Your credit score is drawn from your credit report. The key information that is used to calculate your credit score includes the length of your credit file, the types of credit used, your requests for credit, your payment history, and your balances and credit utilization, this is usually expressed as a score/rating. All reputable banks and lenders such as Bayport Financial Services use a credit rating as one of the factors to determine whether approve a credit application or not. A good rating helps you reach your financial goals, while a poor rating limits your financial opportunities.

## Understanding your credit report

The credit score/ratings that are reflected on your credit bureau report will reflect a certain amount of time depending on the type of listing. The listings will remain on your credit report for a specific period of time.

Here is a list of the duration of each credit report listing:

Listing	Time Period
Enquiries	Two years
Repayment History	Three years
Judgements	Five years, unless rescinded
Administration Order	Ten years, unless rescinded
Sequestrations	Ten years, unless rescinded + five years rehabilitation
Collection Data	Two years
Behaviour Default	One year
Enforced Default	Two years

## Understanding your Bayport credit report

Bayport Financial Services offers a free credit health report on their website which includes all your vital credit information.

This report covers vital information, which has been explained below:

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Personal Information	Your personal information used to generate the report.
Your Credit Score	<p>Your credit score in numerical value. This is a score between 0 – 1000 and has been classified based on the potential ability to get access to credit. These scores are:</p> <p>Poor : 0 – 580 : Red  Average: 581 – 640: Amber  Excellent: 641 – 1000: Green</p> <p> Poor: 0-580    Average: 580-640    Excellent: 640-1000</p>
Your Affordability	This provides a high-level affordability calculation, which is your ability to afford current or future credit. This is a requirement from every credit provider to determine if you are able to afford a new loan/credit.
Your list of Accounts	This section will display a list of all your credit accounts which has been listed with the credit bureau.
Your Bayport Loans	This section includes any credit which you have with Bayport Financial Services.
Your Payment history	<p>The section of the report which reflects your credit payment behavior and has been broken up into 3 sections:</p> <ul style="list-style-type: none"> <li>● Percentage of accounts not in arrears</li> <li>● Debt build up in the last 6 Months</li> <li>● Shopping around the last 6 months</li> <li>● Judgements in the last 2 years</li> </ul> <p>This payment behavior will be shown in Green, Amber and Red, which shows your behavior over the period.</p>
Credit Enquiries In The Last 3 Months	This section indicates your credit application behavior over the past 3 months. It is important that you do not do too many credit applications unnecessarily as it impacts your credit score negatively.

Now, that you have a better understanding of the Bayport Credit Health Report, get your free credit report today.



## The benefits of having a good credit score

To obtain a good credit score, you have to have credit with a good credit history. A good credit score is gained when you borrow money and pay it back on time and for the full amount. A good credit report also enables credit providers to approve larger amounts of credit to you at a tailored or preferential interest rate. This is because the credit providers understand that based on your credit history, you are a responsible person. Many potential employers also look at credit reports as a way to judge a person's responsibility.

## Improving your credit score

Improving your credit score is important for your financial future. A low credit score can be improved in these four steps:

### Step 1: Look at your credit reports and credit score

Investigate the reasons listed on the report for your unhealthy credit profile. A big part of fixing your credit is determining what caused it to go "bad" in the first place. Was it one dramatic incident, like a bankruptcy? Or was the problem a series of smaller things, like late and missed payments that went on for a long period of time? Having an understanding of these factors allows you not to make these mistakes in the future or allow you to plan or save for unforeseen circumstances.

### Step 2: Action Steps to improve your score

- Keep amounts payable or utilisation balances low on credit cards and other revolving credit. High outstanding debt can affect your credit score.
- Apply for and open new credit accounts only as needed.
- Don't open accounts just to have a variety of credit options. It will not improve your credit score if you can't manage them well.
- Pay off debt rather than moving it around.
- Protect your credit information from fraud and identity theft.

### Step 3: Protect existing credit

If your credit is bad but you still have credit cards, do not close your credit facility in the hope of raising your credit rating. Owing the same amount but having fewer open accounts may lower your credit score. Also, the age of your loan can actually help you to improve your rating. The older the loan the better, so always try to keep your credit relations.

Always ensure that your credit bills and instalments are always paid on time and it is advisable to set up automatic payments via debit order wherever possible.

### Step 4: When improved, apply for new credit.

If bad credit has cost you all your credit cards, eventually you may consider getting one new card after you have improved your rating. Using credit cards responsibly can help demonstrate your financial turnaround and further boost your score.

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## Having money awareness

Only by knowing your financial situation will you have the power to be financially healthy. You can ensure that you achieve your goals by constantly staying aware of your current financial situation.

Here are tips to stay aware of your money.

- Keep track of your credit score and improvements as being creditworthy will provide you with the ability to fulfil your needs and wants.
- Save money monthly because it is the best security you can have when unforeseen events happen and this will also help you to reach your goals.
- Remember to get your credit bureau report from credit providers such as Bayport Financial Services.
- Fix areas of concern over time and ensure that it is in line with your priorities.
- Keep track of your purchases and use of credit, and inspect your monthly statements.
- Do not ignore overdue accounts. If you have any problems repaying your debt, contact your credit providers immediately.
- To be in control of your money is the only way that to be successful in making dreams and goals come true.

Your financial wellness is vital for your future and it is important to have the self-discipline to take the time and make the effort to manage your money. This is the key to help you to reduce your debt and improve your ability to manage your credit, save cash and provide you with the long-term benefits of saving.

Now that you are more aware of your financial circumstances, let's learn more about planning your finances in Your Money Plan.

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