



# INVESTBANK's Bites Of Financial Advice

Sponsored by  **INVESTBANK**  
البنك الإستثماري  
REVOLVING AROUND YOU

Are you spending or saving during Ramadan?  
Here are some tips on how to control your finances.



The month of Ramadan and the Eid Holiday are associated with many social events and vacations that exaggerate our spending habits and overburden us with financial obligations. Fortunately, most retailers and service providers are aware of this and, in an attempt to ease this financial load, markets are flooded with discounts, deals and special packages aimed to increase customer satisfaction and retention.

## Keeping extra cash on hand during Ramadan

Banks, like all other service providers, welcome the month of Ramadan by proposing various finance packages and campaigns. Whether your bank offers special deals or not, ask them if they have one of these basic products that will help you in budgeting for Ramadan's expenses – leaving you with a bit of extra cash.

### Credit Card Instalment Programme:

Credit cards offers a convenient method of payment and allow you to spread the cost of your purchases over a longer period of time, giving you greater financial flexibility and the chance to budget for big iftar gatherings or last-minute travelling.

The beauty of an instalment programme is that it offers zero interest over a fixed period of time, which highly reduces your financing costs. For instance, a purchase of a JD5,000 holiday package can be repaid over 10 months at monthly payments of JD500 without incurring any interest. But make sure you repay your monthly payment as agreed with the bank; otherwise, the interest rate on your outstanding balance of the purchase will be switched to the regular rate.

For more efficient use of your credit card, try, if possible, to pay a bit more than the minimum monthly payment and always make sure you repay your due balance in a timely fashion (a monthly standing order from your current account directly to your credit card can ensure timely payments). While credit cards are a great budgeting tool, keep in mind that they are considered an expensive form of financing (interest rates may accumulate to as high as 24 per cent annually).

**Loan Payment Deferrals:** Some banks promote this service to their clients during the month of Ramadan and Eid Al Fitr, as well as all other seasonal holidays. It entails delaying

the loan payments due that month, offering clients temporary financial freedom from loan obligations.

This service is applicable to all types of loans, including credit cards, and the deferral period may extend until the end of the loan period. However, taking advantage of this service should be considered with care since deferred payments will be carried forward until the end of the loan period. This means you incur interest on this late payment for the entire remaining loan period.

For instance, if your monthly loan instalment is JD500 on a five-year loan, you may defer the payment due in the month of Ramadan and repay it at the end of the fifth year, but this JD 500 will continue accumulating interest expense until it's repaid. What might seem like present financial release may in fact become a future financial burden. To qualify for such a service, most banks require no previous tardiness in meeting loan instalment payments.

In case you don't qualify for loan payment deferral but still seek some sort of partial financial release, you might consider the following:

1. Loan re-scheduling or loan consolidation.
2. Shifting payment due dates to certain dates of the month to match cash inflows and avoid late charges.
3. Ensure timely loan payments for a period of time in order to qualify for loan payment deferral.

## Shopping during Ramadan

Spend more or save more by lowering your expenses through the special deals and discounts offered by retailers throughout the month. Hypermarkets and superstores tend to offer a lot of "buy one, get one free" deals on food items, especially those that are Ramadan-related, and on toiletries, cleaning supplies and other goods. Since you may

be entertaining friends and family for iftar and possibly sohoor, your consumption of household and food products are going to increase, so take advantage of such offers and stock up.

Other retailers, such as toy stores and clothing outlets, also offer seasonal discounts and special offers that can save you a bundle on your Eid shopping and gift-giving; be retail smart and look out for such discounts.

For bulkier purchases, such as home appliances or your Eid vacation, you will find many attractive deals and bargains to choose from. Car dealers offer encouraging discounts during Ramadan and if you have some good negotiating skills, purchasing a car during this time may be a good bargain. However, this kind of spending might require obtaining a loan. A loan helps you install the bulk payment into fixed instalments to be paid over a period of time (might extend from one year to up to six years), making it easy for you to plan and budget. You also always have the option of early repayment whenever you have cash on hand, but keep in mind that your bank might charge you early settlement fees.

Shopping around for a loan provider is always a good idea and will ensure that you obtain the best deal. You can often negotiate the early repayment fees, so whether you are trying to finance a car, your vacation or iftars, make smart purchasing decisions, plan ahead and keep a look out for Ramadan deals.