

PERSONAL FINANCIAL MANAGEMENT

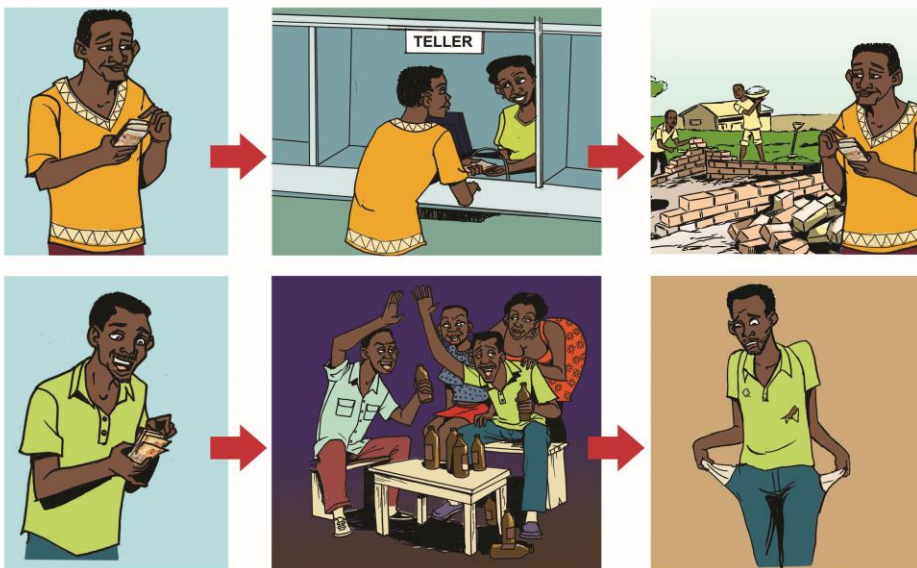
1. HOW TO BUDGET LIKE A PRO

1) *Determine what you need and what you can do without*

Plan to meet your basic needs before thinking of luxuries. For example, ensure that your children's school fees are paid before you spend money on alcohol and expensive clothes.

2) *Decide what is important to you*

You should set financial goals to be able to manage your money well. Think of what you want in life and set goals towards achieving that. For example, if you want to buy land in 5 years' time, start saving for it now. If you are working for something that's important to you, and if you have a plan of action, you will be more likely to succeed.



3) **Setting family financial goals**

Your financial plan should include the goals, resources, and responsibilities of the entire family. You can achieve family needs but not necessarily what each family member wants. For example, you can decide together what schools to take your children to and which medical centre your family can get treatment from, according to your income.



4) **Raise money to meet your financial goals**

After setting your financial goals, plan where you will get the money from. If you can't get enough money from your income, raise additional money through home based projects (e.g. vegetable growing and marketing, bricklaying, roasting and selling of groundnuts, baking, etc.). You can also cut your expenses and save: Look for ways to spend less so that you can save some money to help you reach your financial goal.

5) Prepare a budget which is within your income

Once you have decided on your priorities, find out how much you need to pay for them. Make sure you plan not to spend more than you earn. When making your budget, keep in mind that prices usually change over time.

BUDGET		January
<u>INCOME</u>		
Salary	100,000 F	
Form	30,000 F	
Shop	90,000 F	
Total =		220,000 F
<u>EXPENDITURE</u>		
Food	90,000 F	
Transport	40,000 F	
School Fees	50,000 F	
Medical	20,000 F	
Savings	20,000 F	
Total =		220,000 F

6) Spend according to your budget

It is important to keep track of all your expenses, e.g. keeping a book where you record all your daily expenses. This helps you monitor how you spend your money and can provide guidance on which expenses you can reduce or do without. If you keep your money with a bank, ask for your bank statement to see how much money has been coming in and how much is going out.

7) It's easy to get into debt but hard to get out

If you borrow money, plan carefully how you will use your loan and how you will pay it back – and stick to your plans. Always use borrowed money for the purpose you borrowed it. Avoid borrowing to pay off debt.

8) Save and invest to grow your earnings

Some people look at their income and “get comfortable” with it. Don't be one of them! You can save a portion of your income and you can invest part of it in a business, shares and other property. Save and invest so that you will still have something to live on in case of a sudden loss of employment, accident or illness.

9) Keep the ATM/Credit card away

Money can be very tempting if it is easily accessible. Try to carry only the money you need for the day and a small amount for emergencies. Moving with an ATM and or credit card is as good as carrying money. Keep it/them away unless you really need to get money for a certain purpose.

10) If you gamble, you eventually lose

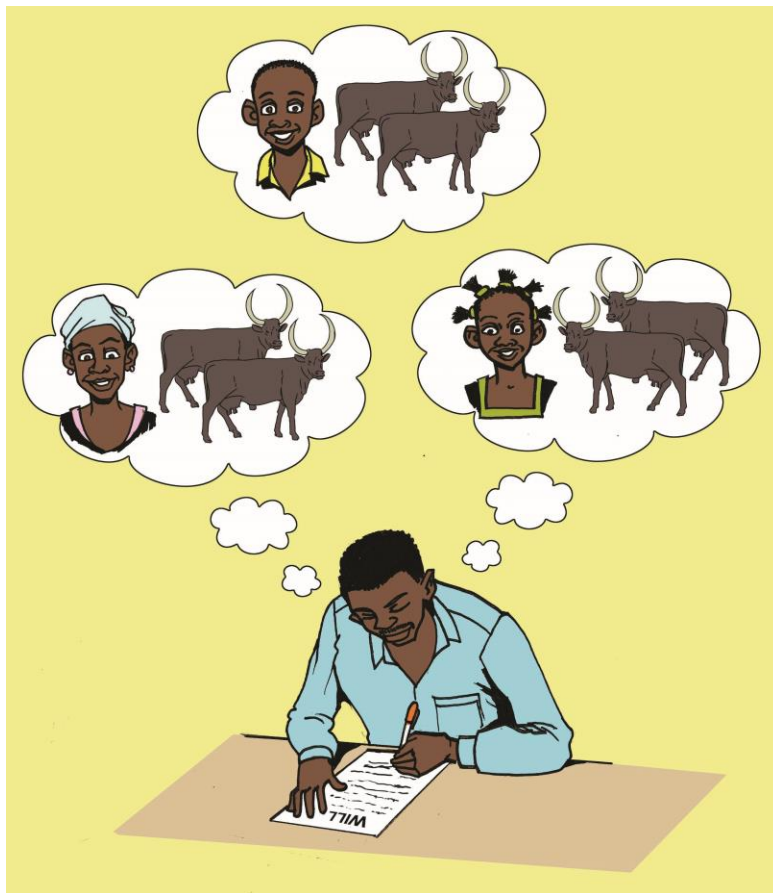
Gambling can take the form of betting on sports, games, playing cards and more sophisticated games like in casinos or online. Reckless business investments are also gambles. Sometimes gamblers win or benefit for a short period but, in the end, they always lose more than they have won or benefitted. Gambling has left many people financially strained with destroyed relationships and friendships and an unmanageable amount of debts. For example, you may lose 10,000/= ten times and only win 40,000/= once. This means that you would have lost 60,000/=.

11) Be mindful of the expenditure on dependents

In the African setting, we tend to have many dependents. You need money to maintain these relations in food, medical care, housing and education. Think about how much you will have to spend and what you can afford.

12) Write a will to protect your investments for your dependents

To make sure that your money and property is going to the people you want to when you die, write a will. A will is a signed document which spells out how, and by whom, you want your property to be managed after your death and who should benefit from it. Don't forget to update your will whenever you get new property, children, a partner or whenever you lose, sell or give away the property you included in your original will. Your dependents should know where to find your will.



A Simple Will Template

This is the last will and testament of (Name)...of (Location) in the City of..... I hereby revoke all previous wills and testamentary dispositions made by me. I appoint..... and..... as executors of this will and direct them to pay my just debts, funeral and testamentary expenses.

To my housekeeper Vera, I leave.....Ug shs. I leave.....Ug shs from my Bank account (Name of Bank)..... to I leave my House to my..... I leave my land to.....at (Location) to.....

All the residue and remainder of my property of any nature and description and wherever situated, I leave in equal shares between my children ...and

Dated this day of..... 20.....

Signed

.....

Signed by the testator as and for her last will and testament in the presence of us, both present at the same time, and signed by us in the presence of the testator

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2. RULES OF THUMB



"A budget is a plan that lays out what you will do with your money."

Financial goals can be short-term, such as getting out of debt, meeting day-to-day expenses without borrowing, paying school fees, or saving for a special need or desire. Goals also can be long-term, such as saving for a house or retirement. Making a budget will help you **allocate your resources** to meet multiple goals.

You can do three things with your money: spend it, save it, or invest it:

- You **spend** money for day-to-day needs such as food, housing, transportation, clothing, healthcare, debt repayment, and optional expenses such as watching football, buying alcohol and others.
- You **save** money for unexpected emergencies, unexpected opportunities, or to meet short- and medium-term financial goals.
- You **invest** money in business ventures to earn income in the long-term.

The **best advice** for how to manage these three parts of your financial life is simple to say but harder to accomplish:

Spend wisely
Save regularly
Invest prudently

"A good budget helps you to pay for what you need and save up for what you want."

Benefits of a Budget

- Eases decision-making about spending and saving
- Encourages cautious spending
- Encourages disciplined saving
- If followed, helps you to meet financial goals
- Helps you take control of your money

3. How Much Do You Know About Budgeting?

QUIZ – PLEASE ANSWER THE FOLLOWING QUESTIONS:

1. What percentage of your income should you save?

You should save about 20% of your monthly income. However, this figure also depends on your savings goal and earnings.

2. How many months' worth of income should you have in your savings account for emergencies?

You should always have about 6 months' worth of income in your savings account to be prepared for emergencies, such as accident, illness, funerals or unemployment.

3. Why is taking care of your current debt more important than saving for future goals?

Being in debt is costly for several reasons:

- ✓ When payments are missed, the loan costs grow even higher.
- ✓ Failure to make payments can lead to the loss of future access to credit.
- ✓ Loan fees on late payments can increase the amount of money you owe and increase the risk of having to make loan payments with money intended for basic necessities.

4. BUILD YOUR OWN BUDGET

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
INCOME						
Total Income						
SAVINGS						
EXPENSES:						
Debt Payments						
Business Spending						
Necessary Spending						
Optional Spending						
Total Expenses						