

Personal Financial Planning

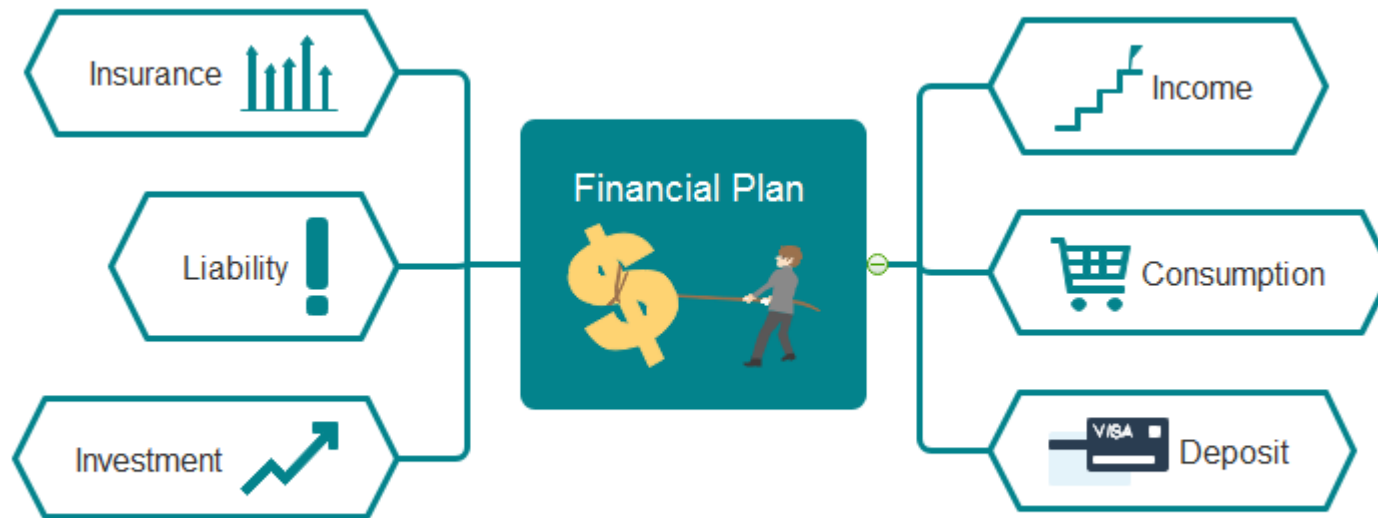
3RD JUNE ,2020



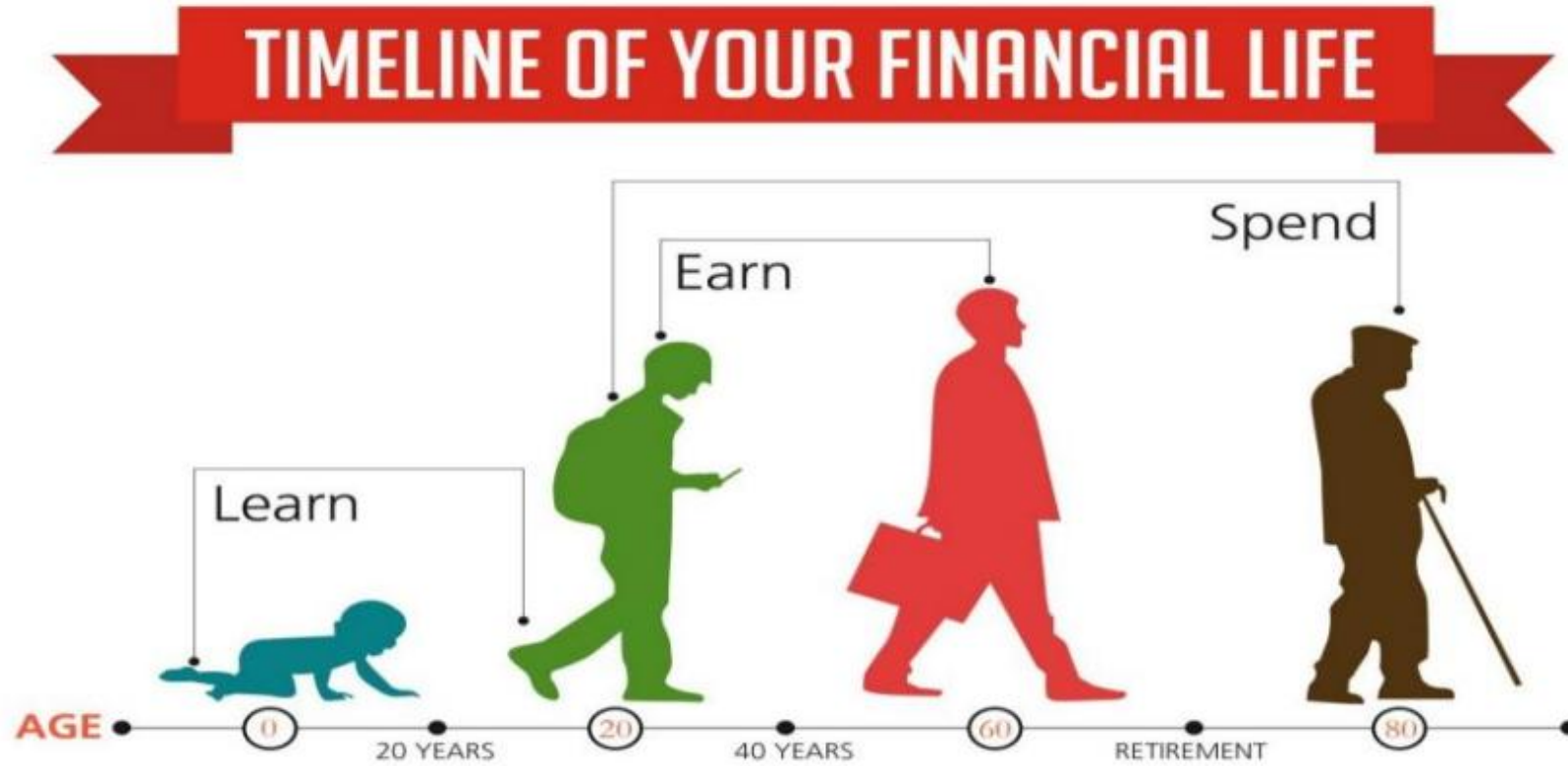
What is Personal Financial Planning?

The process of meeting Individual life goals through proper management of one's finances.

The management of money and **financial** decisions for a person or family including budgeting, investments, **retirement planning** and investments.



Why Plan?



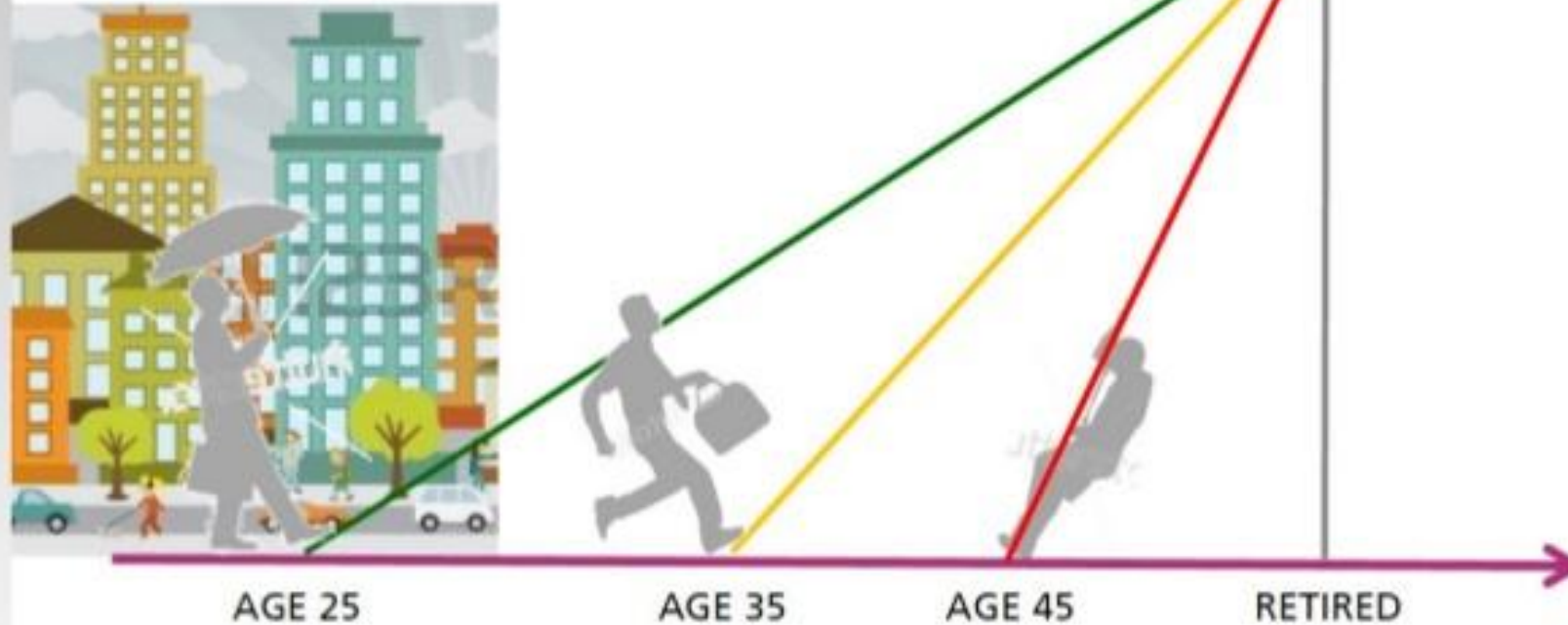
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For a successful financial plan, earnings should be greater than expenses.*

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Why Plan Early?

SECURE YOUR FINANCIAL FUTURE

The earlier you start, the easier you save money!

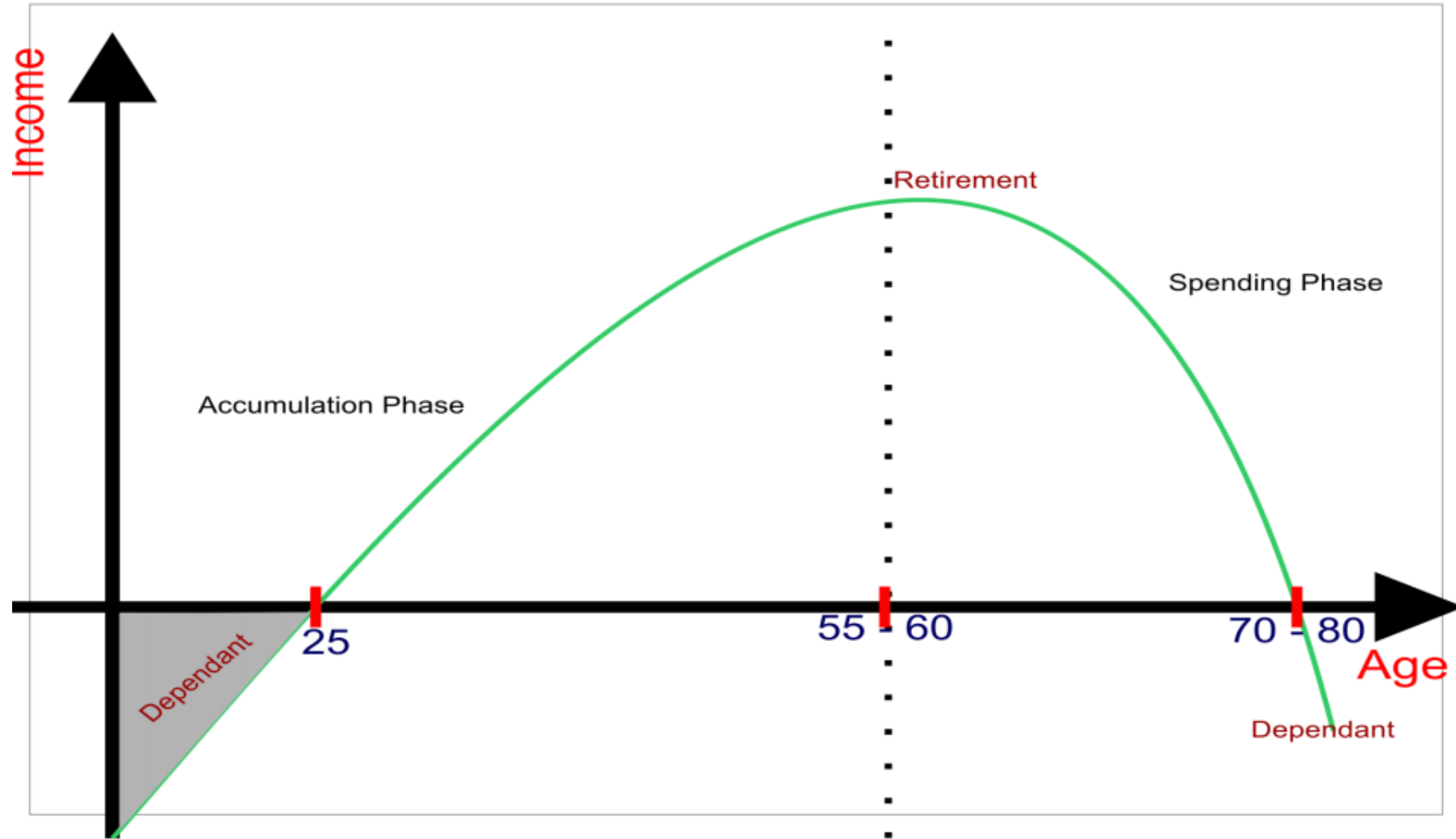


Age 25: The earlier you start your retirement savings, the easier you accumulate your wealth as your savings have plenty of time to earn interest for you!

Age 35: You will have to save more money for your retirement. Further delay may jeopardize your retirement planning!

Age 45: You're running out of time. You need to save a lot of money for retirement!

Income Age Graph



Age 20-30

- Priorities are a good life
- Spending on flashy stuff
- Leaving a Façade life.
- Generally leaving serious financial decisions for later.



Age 30-40

- Settling down, wedding expenses and eventually Family expands with children coming
- Introduction to school fee expenses and infants upkeep which are quite hefty
- Focus a lot on the children needs
- Career growth and development eyeing for promotions
- Societal pressure on personal development



Age 40-50

- Children in high school and university a big chunk of your income goes towards their education
- Ageing parents.
- Sudden awareness that investments are lacking or insufficient
- Most of the time Panic checks in and you start running up and about trying to set up some businesses to increase your income.
- Resources seem to be more and more limited
- Jobs may be threatened
- Career may stagnate, otherwise go back to school to stay relevant



Age 50-60

- Retirement looming
- Old age sicknesses depending on lifestyle
- Stress sets in when looking back with regret
- Relocation from life one was used to
- Some bounce back and others wither away



Moment of Truth

- WHERE ARE YOU?
 - Why are you working?
 - When do you plan to stop working?
 - Can your assets support you when you stop working?
 - Are you wealthy, financially stable, financially unstable or poor?
- N:B IN FINANCIAL MATTERS YOU CAN LIE TO EVERYONE BUT YOU CAN'T LIE TO YOURSELF.



PAYDAY-TO-PAYDAY TREADMILL

YOU KEEP ON RUNNING
BUT YOU DON'T GO ANYWHERE.

IN THE SAME WAY, YOU ALLOCATE MONEY
FOR MONTHLY EXPENSES AND THERE NEVER
SEEMS TO BE ENOUGH FOR SAVINGS AND
FUTURE FUNDS.



Always Listening. Always Understanding. PRU LIFE U.K. *TL*



A. Vicious Cycle of Poverty

- Low Income level
- Low Savings/No Savings
- Low Capital Formation/No Capital formation
- Low Returns/No Returns
- Low Standards of Living
- Early Death
- Limited opportunities for next of kin
- (We should live inheritance for up to the fourth generation)



B. Financially Unstable

- “Low” earnings or “living” beyond means
- Poor management of personal finances
 - ✓ Lack set goals
 - ✓ Skewed lifestyle habits
 - ✓ Uncontrolled purchasing habits
- Low savings
- Low asset/capital accumulation
- Cash flow crisis



C. Financially Stable.

- Have a plan for obtaining financial resources
- Plan & manage personal finance
 - ✓ Plan their spending through budgeting
 - ✓ Save for long term financial security
 - ✓ Have controlled buying habits
- Invest earned resources
- Insure acquired assets (risk management)
- They are in full Control of their financial future
- Embrace Financial advice and research a lot



LEVELS OF FINANCIAL STATUS



Analyse Your Current Status

- Appreciate your financial position(net worth).
- Through the expense tracker identify the spending leaks and rectify them.
- Use your budget to guide and control your expenditure.
- Set up financial goals and identify a plan of achieving them.



BUDGET

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SIMPLE MONTHLY BUDGET

Items	Budget Amount	Actual Amount	Difference	Notes	
INCOME					
Monthly Income			0		
Other Income			0		
TOTAL INCOME	0	0	0		
EXPENSES					
Mortgage/Rent			0		
Household Maintenance			0		
Taxes			0		
Insurance			0		
Electricity			0		
Water			0		
Sewage			0		
Gas			0		
Phone			0		
Trash			0		
Cable			0		
Cell Phone			0		
Groceries			0		
Entertainment			0		
Charity/Donations			0		
Fuel			0		
Auto Insurance			0		
Car Payment			0		
Child Care			0		
Credit Cards/Debt			0		
Loans			0		
Life Insurance			0		
Health Insurance			0		
Clothing			0		
Child Support/Alimony			0		
Other			0		
			0		
SAVINGS					
Retirement			0		
College			0		
Basic/Other			0		
			0		
TOTAL EXPENSES	0	0	0	Money Remaining	0



Daily Expense Tracker/Cash Flow

MONTH DATE	OPENING BALANCE	BREAKFAST	LUNCH	TRANSPORT	ENTERTAINMENT	GROOMING	GROCERY	TOTAL	CLOSING BALANCE
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									



Monthly Spending Exercise

	CATEGORY	TOTAL SPENDING	PERCENTAGE
1	TITHE/CHARITY		10
2	SAVINGS - Replaceable		10
3	SAVINGS - Retirement		10
4	SAVINGS - Rainy day		10
5	RENT		15
6	SCHOOL FEES		20
7	FOOD & UTILITIES		15
8	POCKET MONEY		10
	TOTAL		100



Determine Current Financial Position/ Networth

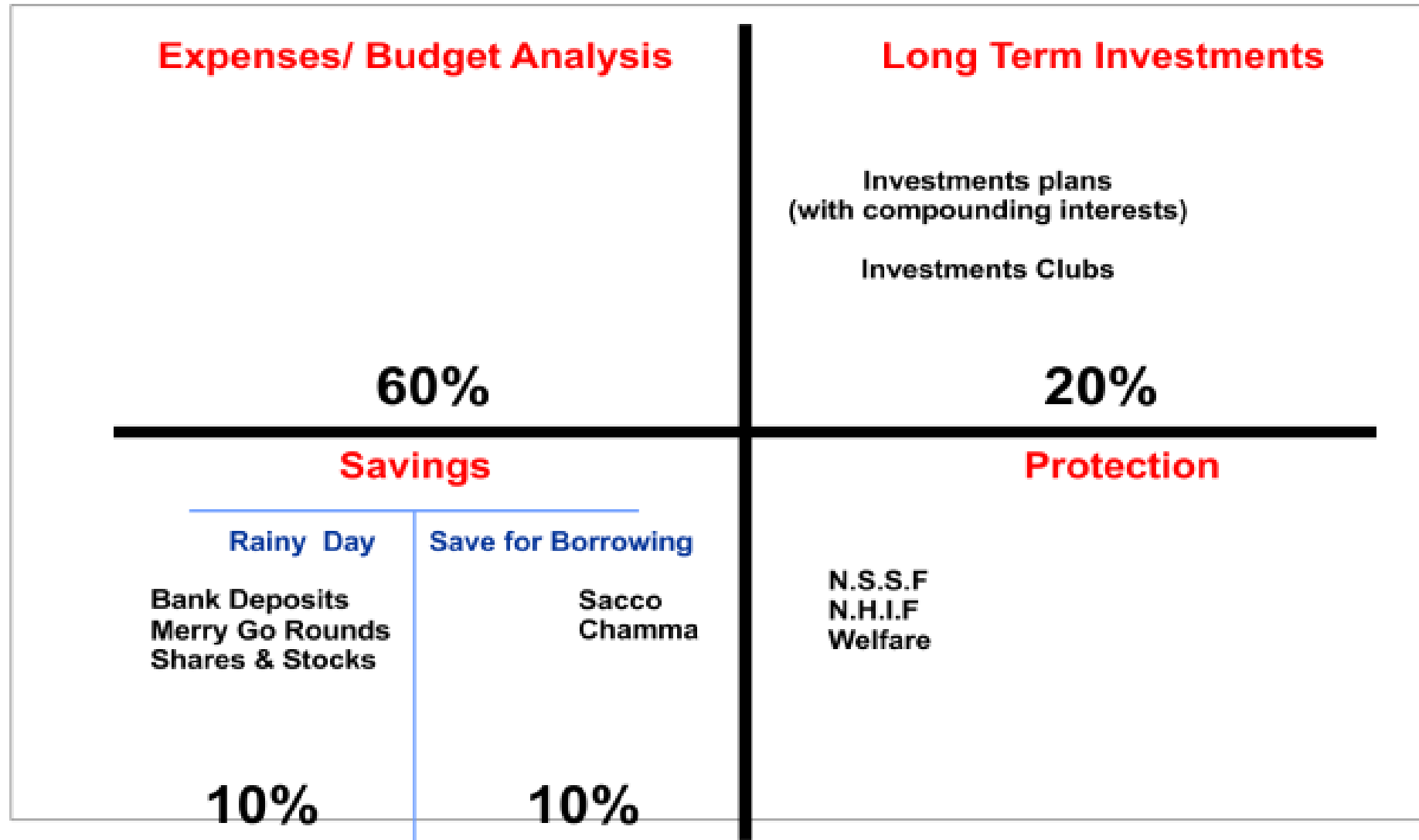
- **Statement of financial position (Balance Sheet)**
- Personal use assets
- Financial assets
- Invested assets
- Liabilities
- Net worth (Total assets – Liabilities)
- Net worth measures

(NETWORTH GUIDELINE)

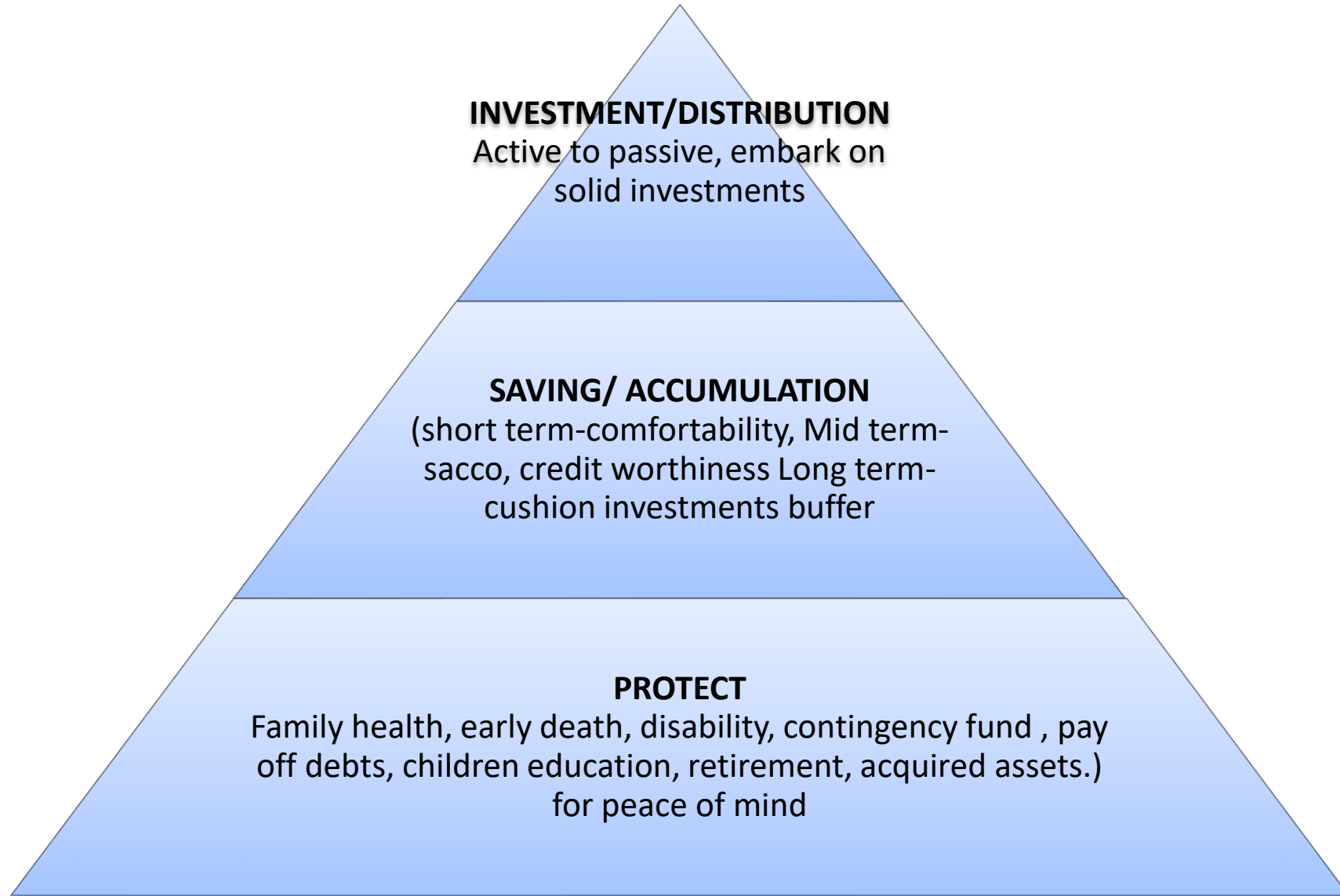
Net worth should ideally be 10% annual income multiplied by current age



Financial Freedom Blueprint



ENSURE YOU GET IT RIGHT



Family Security



- Health insurance
- Accident/disability insurance
- Adequate Life insurance for re-adjustment in case of early death (3 yrs. expenses)
- Funeral expense insurance

Emergency Fund

- Establish your monthly expenses – The fund should be equal to 3 months expenses for a start & 6 months in the long run for financial freedom
- Create an account for it. Apply 40/60 rule
- Clearly define an emergency
- Deposit all windfall income into this account
- Refund all monies withdrawn from this account
- When fully funded, channel the allocation to another goal



Debt Management

- Identify and list all your debts
- Prioritize how they will be repaid starting with those with high interest and are short term
- Consider the risk and consequence of default
- If possible consolidate the debts and renegotiate with the lenders to ease repayment
- Build your credit score and borrowing ability
- Build your social capital
- Always establish the cost of money and lending conditions



Education Planning

- Is education important?
- Duration in school (Term)
- Education environment (Formal, informal, international)
- Education choice (Private, public, County, National)
- University level (Public, private, abroad)
- Cost of education (Current costs, future costs ; Future cost = Present cost * inflation factor)
- Funding options for the education



Retirement Planning

- Establish your re-current monthly expenditure
- Estimate retirement spending needs
- Consider amount of time left to retirement date
- Determine planned retirement income & most appropriate vehicles to generate it e.g. IPP, employer sponsored pension plan , real estate, annuities
- Establish & implement a retirement plan



Estate Planning

- Do you have named guardian for your children?
- Do you have named beneficiary for all your investments?
- Do you have a plan to distribute your assets?
- Do you have a will?
- Are all your documents properly secured?





THANK YOU