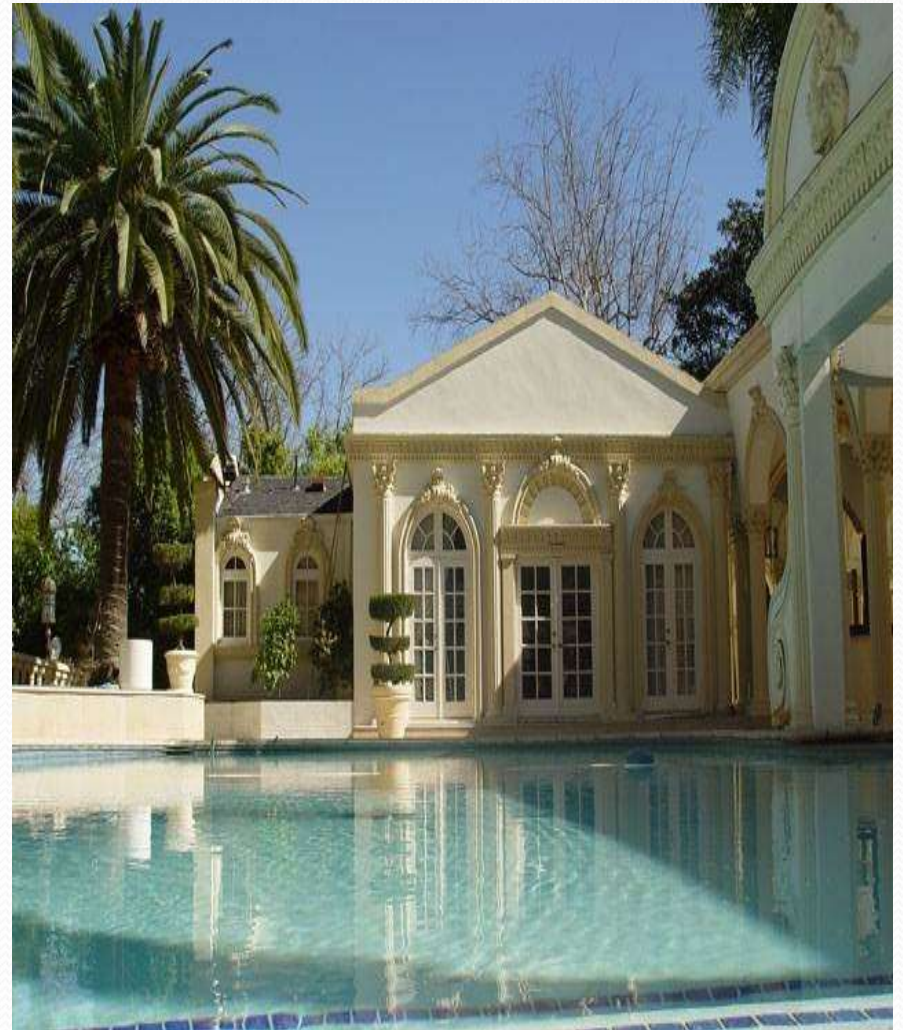


PERSONAL FINANCIAL MANAGEMENT

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Planning directs you to your dream home



Definitions

- **Personal finance:** the process of planning your spending, financing, and investing so as to optimize your financial situation
- **Personal financial plan:** a plan that specifies your financial goals and describes the spending, financing, and investing plans that are intended to achieve those goals
- **Opportunity cost:** what you give up as a result of a decision

What is Financial Planning?

1. Where you are today?
 - Examine your personal finances
2. Where do you want to go?
 - Define short and long-term goals
3. Creating the plan to get you from today into tomorrow
 - *Action* steps to reach those goals

Benefits of a Financial Plan

- Make your own financial decisions
 - Every spending decision has an opportunity cost
- Judge the advice of financial advisors
 - Make informed decisions
- Become a financial advisor
 - Many career opportunities available

A Plan for Your Financing

- Loans often needed for large expenditures
 - College tuition, car, house
- Managing loans
 - How much can you afford to borrow?
 - Determining maturity of the loan
 - Selecting a loan with a competitive interest rate

A Plan for Your Investing

- Funds not needed for liquidity can be invested
 - Stocks, bonds, mutual funds, real estate
- All investments have some level of risk
- **Risk:** uncertainty surrounding the potential return on an investment

A Plan for Your Retirement and Estate

- This includes insurance planning, retirement planning, and estate planning
 - **Retirement planning:** determining how much money should be set aside each year for retirement and how those funds should be invested
 - **Estate planning:** determining how your wealth will be distributed before or upon your death

Developing the Financial Plan

- Step 1. Establish Your Financial Goals
 - Types of goals
 - Car, home, college, wealth, charity
 - Set realistic goals
 - Stronger likelihood of reaching goals
 - Timing of goals
 - Short term (within one year)
 - Intermediate (between 1–5 years)
 - Long term (beyond five years)

Developing the Financial Plan

- Step 2. Consider Your Current Financial Position
 - How your future financial position is tied to your education
 - Consider your skills, interests, and career paths
 - How your future financial position is tied to your career choice
 - Choose a career that will be enjoyable and suit your skills

Developing the Financial Plan

- Step 3. Identify and Evaluate Alternative Plans That Could Achieve Your Goals
 - Plans could be conservative or aggressive
- Step 4. Select and Implement the Best Plan for Achieving Your Goals
 - The Internet has valuable financial planning information

Developing the Financial Plan

- Focus on Ethics: Personal Financial Advice
 - Your objective is to get the best advice appropriate to your needs
 - Be wary of unethical behavior
 - Difficult to discern
 - Be wary of incompetent advice
 - Be alert, ask questions, carefully consider advice

Developing the Financial Plan

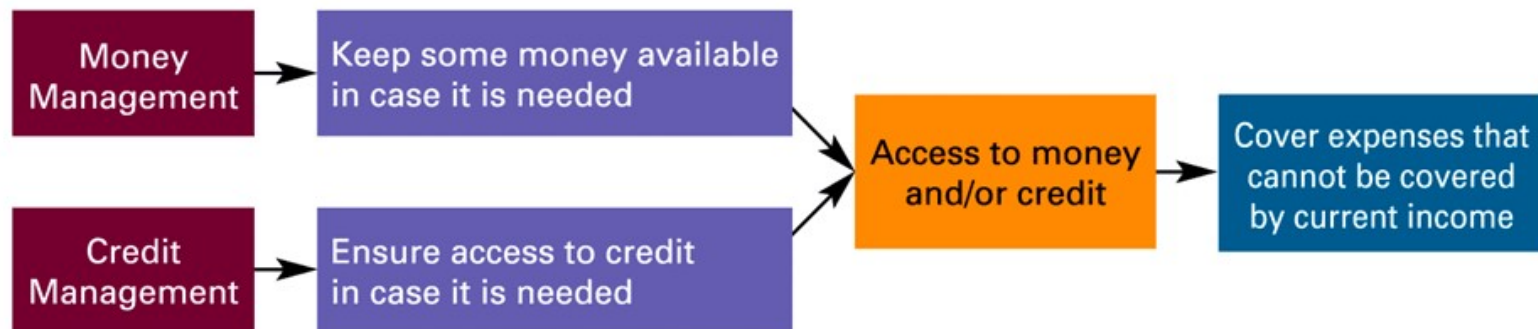
- Step 5. Evaluate Your Financial Plan
 - Keep plan in an accessible place and monitor your progress
- Step 6. Revise Your Financial Plan
 - Change plan as financial condition and financial goals change

A Plan for Your Budgeting and Tax Planning

- **Budget planning:** The process of forecasting future expenses and savings
- Evaluate your current financial position
 - **Assets:** what you own
 - **Liabilities:** what you owe
 - **Net worth:** the value of what you own minus the value of what you owe

A Plan to Manage Your Liquidity

- **Liquidity:** access to funds to cover any short-term cash deficiencies
- **Money management:** decisions regarding how much money to retain in a liquid form and how to allocate the funds among short-term investment instruments
- **Credit management:** decisions regarding how much credit to obtain to support your spending and which sources of credit to use



Components of a Financial Plan

- Budgeting and tax planning
- Managing your liquidity
- Financing your large purchases
- Protecting your assets and income (insurance)
- Investing your money
- Planning your retirement and estate

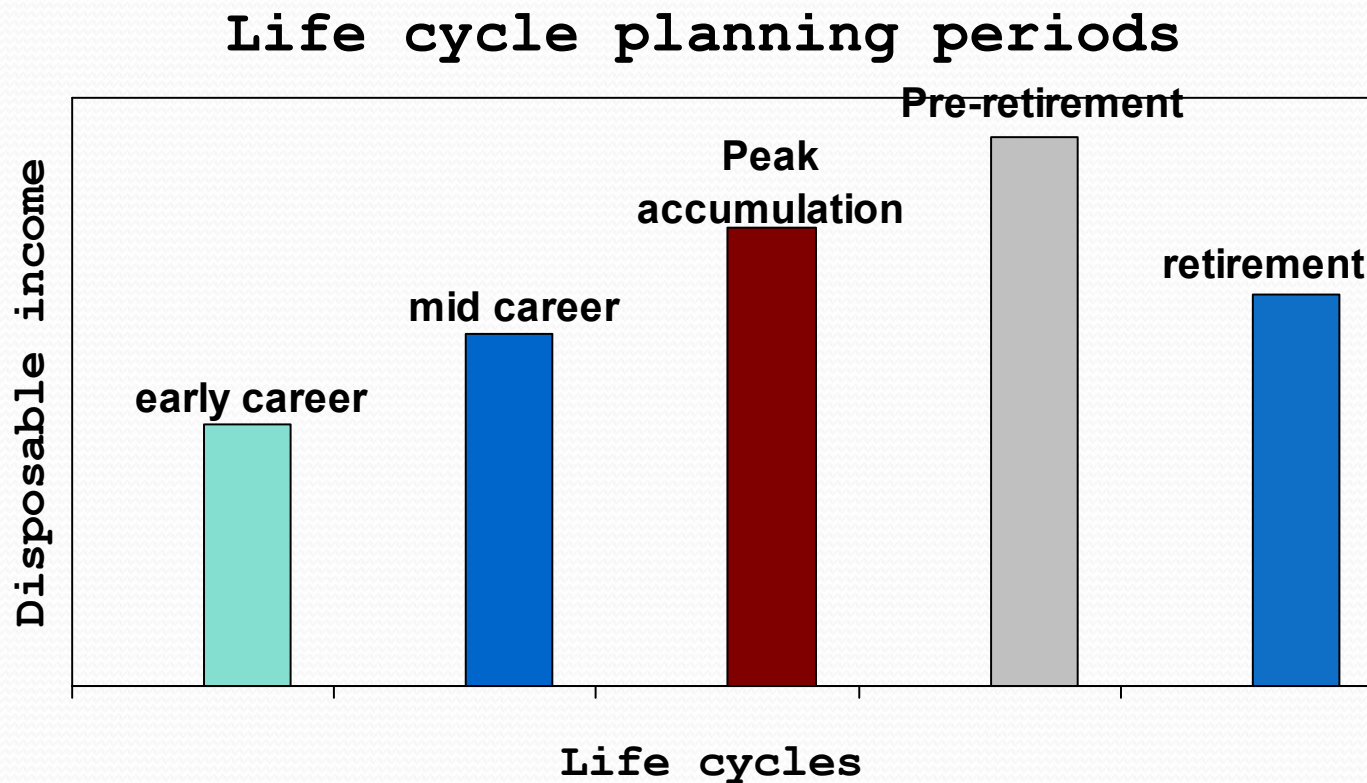
People Don't Plan to fail, they fail to plan

- Only 28% of households have a comprehensive financial plan
- Only 19% express an interest in having a financial plan
 - Don't understand the value
 - Don't know what a comprehensive plan is
 - Believe the cost of having such a plan developed by a financial professional is high

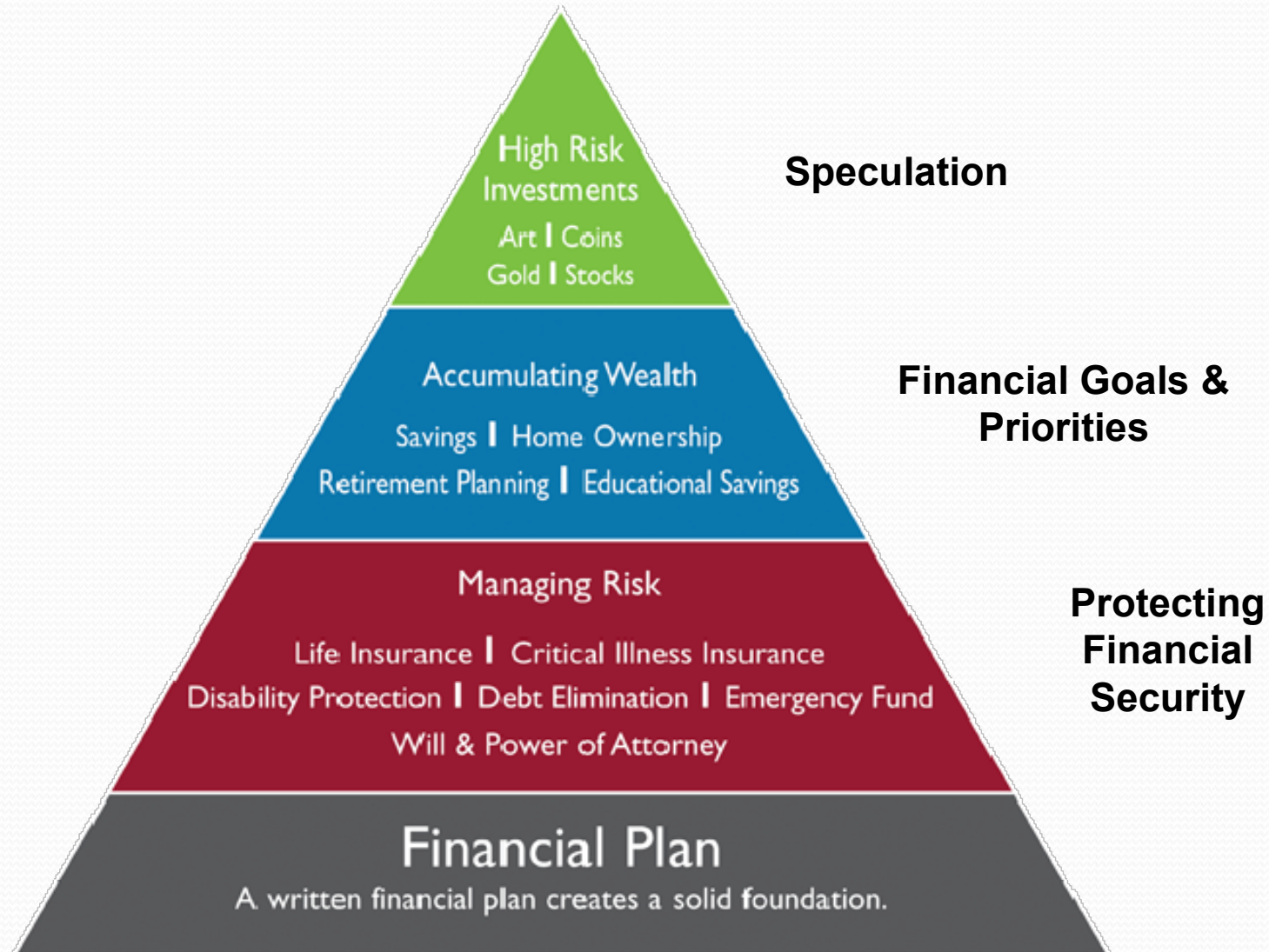
Did you know?

- God provides us with the knowledge and tools in the bible for sound money management.
- New testament:
 - 215 verses pertaining to faith
 - 218 verses pertaining to salvation
 - **2084** verses dealing with stewardship of and accountability for money and finance

Your plan will move with you through the various life stages



Key components of a plan



Risk Management



Long Term Care to preserve dignity and family ties at old age (stream of income)



Disability Insurance for income preservation while living (stream of income)

Savings and Investments for Retirement Goals, Education, etc.



Life Insurance for income and estate protection on death (lump-sum)



Life insurance

Financial protection for:

Your family and loved ones

- Can supplement lost income
- Provide funding for child's education
- Debt relief – mortgage, credit cards
- Money for funeral and final expenses and taxes



Critical Illness Insurance

Pay the bills and more!

- Provides you with options
- Allows you to focus on getting well
- Eliminates money worries
- Return of premium option

Wills and Power of Attorney

- A Will helps ensure your personal wishes are followed. If you own a personal asset or have children, you should have a Will.
- A property power of attorney will make financial decisions on your behalf.
- A healthcare power of attorney will take care of your healthcare needs.

The Parable of the Talents

Matthew 25:14:

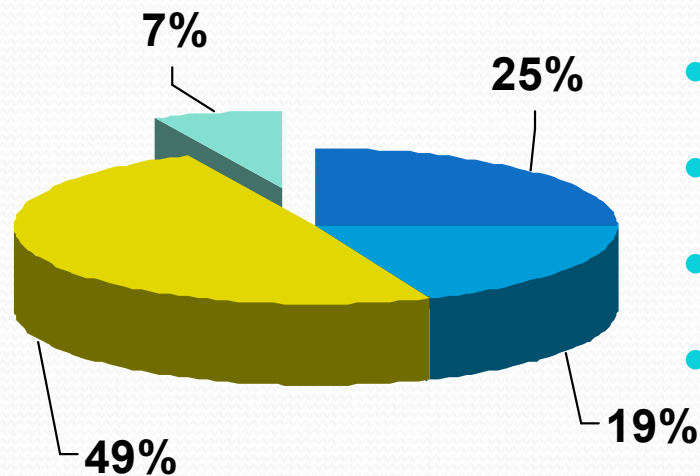
- 5 talents – put his money to work and gained 5 more
- 2 talents – put his money to work and gained 2 more
- 1 talent – went out, dug a hole and hid the money

For the 2 who put the money to work... “Well done, good and faithful servant! You have been faithful with a few things. I will put you in charge of many things.

For the 1 who didn't.... ‘Evil and lazy servant!.... Then you should have deposited my money with the bankers, and on my return I would have received my money back with interest!’

Retirement savings

Most people begin their career with the hope of a good retirement. However by age 65:



- 25% have died
- 19% have incomes less than \$10,000
- 49% have incomes of \$10,000 - \$35,000
- 7% have incomes of over \$35,000

If you fail to plan...

- Inefficient use of resources
- Risk of not meeting financial objectives
- Unprepared for the storms of life
- Pay higher taxes than necessary
- Delay retirement; live on less money
- May be difficult fulfilling God's purpose for your life

Commit to action

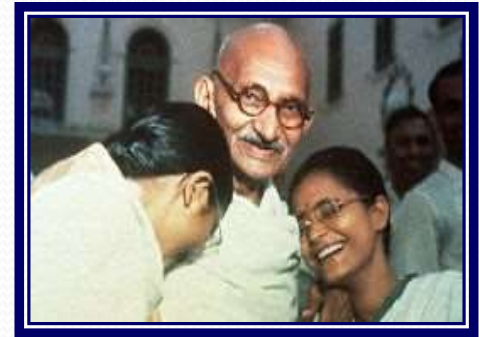
Concrete steps for action

- Set goals – spiritual and practical
- Assess current situation
- Develop action plans
- Put your plan into action
- Track your progress
- Celebrate your successes



QUOTABLE QUOTES

Take time to forgive. The weak can never forgive. Forgiveness is the attribute of the strong.



The power that makes grass grow, fruit ripen & guides birds in flight is in us all.



WOW!



Thank You

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