

PERSONAL FINANCIAL PLANNING FOR MILLENNIALS: BEYOND TODAY

Presentation by:

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Financial Behaviors of Millennials



Financial Behaviors of Millennials



- ✓ Live for today and spend like there's no tomorrow"
- ✓ Borrowing rather than saving
- ✓ Betting rather than investing
- ✓ Believe in instant gratification e.g entertainment etc.
- ✓ Feeling young to save for retirement.

Financial Myths of Millennials



Financial Myths of Millennials



- ✓ No need to start saving for retirement until you're 40.
- ✓ No need to invest long term when you can bet and get your returns.
- ✓ No need to save for insurance when you can afford everything.
- ✓ Why save for an item when I can acquire it on credit.

Unique Financial Qualities of Millennials



Unique Financial Qualities of Millennials



- ✓ Risk takers.
- ✓ Do not fear getting in to debt.
- ✓ Are job hoppers.
- ✓ Engage in side hustles.
- ✓ Speculative investors.

What Financial Skills Millennials Require



- ✓ Personal financial planning
- ✓ Debt Management
- ✓ Investment
- ✓ Insurance planning
- ✓ Retirement planning

PERSONAL FINANCIAL PLANNING



Process of planning and managing personal finances to achieve personal financial wellbeing and satisfaction.

Why Plan Your Finances



- ✓ To achieve your financial goals
- ✓ To avoid financial mistakes
- ✓ To reduce financial distress related to debts.
- ✓ To plan for any uncertainty e.g. job loss, sickness
- ✓ To prepare for future.

How Do I plan My Finances?



Personal Financial Planning Process



1. Determine your current financial situation.
2. Develop financial goals.
3. Identify alternative courses of action.
4. Evaluate alternatives.
5. Create and implement a financial action plan.

1. Determine your current financial situation.



- ✓ How much is your monthly salary?
- ✓ How is your living expenses?
- ✓ Do you have any saving or debt?
- ✓ Do you have any other source of income?

2. Develop your Financial Goal-- --purchase an apartment



Financial Goal---Starting a side hustle



3. Identify and evaluate alternative course of actions



- ✓ Purchase in cash
- ✓ Saving
- ✓ Borrowing /Debt
- ✓ Investment

4. Create and implement a financial action plan



How Do I save?



How to Save



1. Create a monthly budget- figure out your monthly expenses.
2. **“Expend to save”**- include your savings as part of your expenses.
3. Expenses should not exceed income
4. In case of deficit, cut your expenses instead of your savings.

Saving Goal: KSH.2.5M (Purchase a Piece of Land)



Time Period	Monthly (8% P.A)	Monthly (10% P.A)	Financial goal
1 year	201K	199K	Short term
3 years	62K	60K	Short term
5 years	34K	32K	Medium Term
10 years	14K	12K	Long term
15 years	7K	6K	Long term

Saving Goal: KSH.5.0M (Purchase of an apartment)



Time Period	Monthly (8% P.A)	Monthly (10% P.A)	Financial goal
1 year	402K	398K	Short term
3 years	123K	120K	Short term
5 years	68K	65K	Medium Term
10 years	27K	24K	Long term
15 years	14K	12K	Long term

Formal Savings Vehicles



- ✓ Saccos and chamas
- ✓ Fixed deposit accounts
- ✓ Unit trusts- money market fund
- ✓ Insurance savings plan,

Why Save When I can Borrow n Buy the Car?



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When to borrow rather save



- ✓ If you need something immediately and cannot wait to save.
- ✓ If it will take a long time to save up for
- ✓ Take advantage of an investment opportunity
- ✓ If the gain from direct purchase outweigh the cost of borrowing,
- ✓ If lump sum payment is required.

Financial Goal- purchase a car at Ksh.1.2 million



Borrowing : KSH.1.2M (To Buy a Car)



Time Period	Monthly Loan Repayment	Total Repayment (14% P.A)
1 year	108K	1.3M
3 years	41K	1.5M
5 years	28K	1.7M
10 years	19K	2.2M
15 years	16K	2.9M

Borrowing: KSH.5M (To Purchase an apartment)



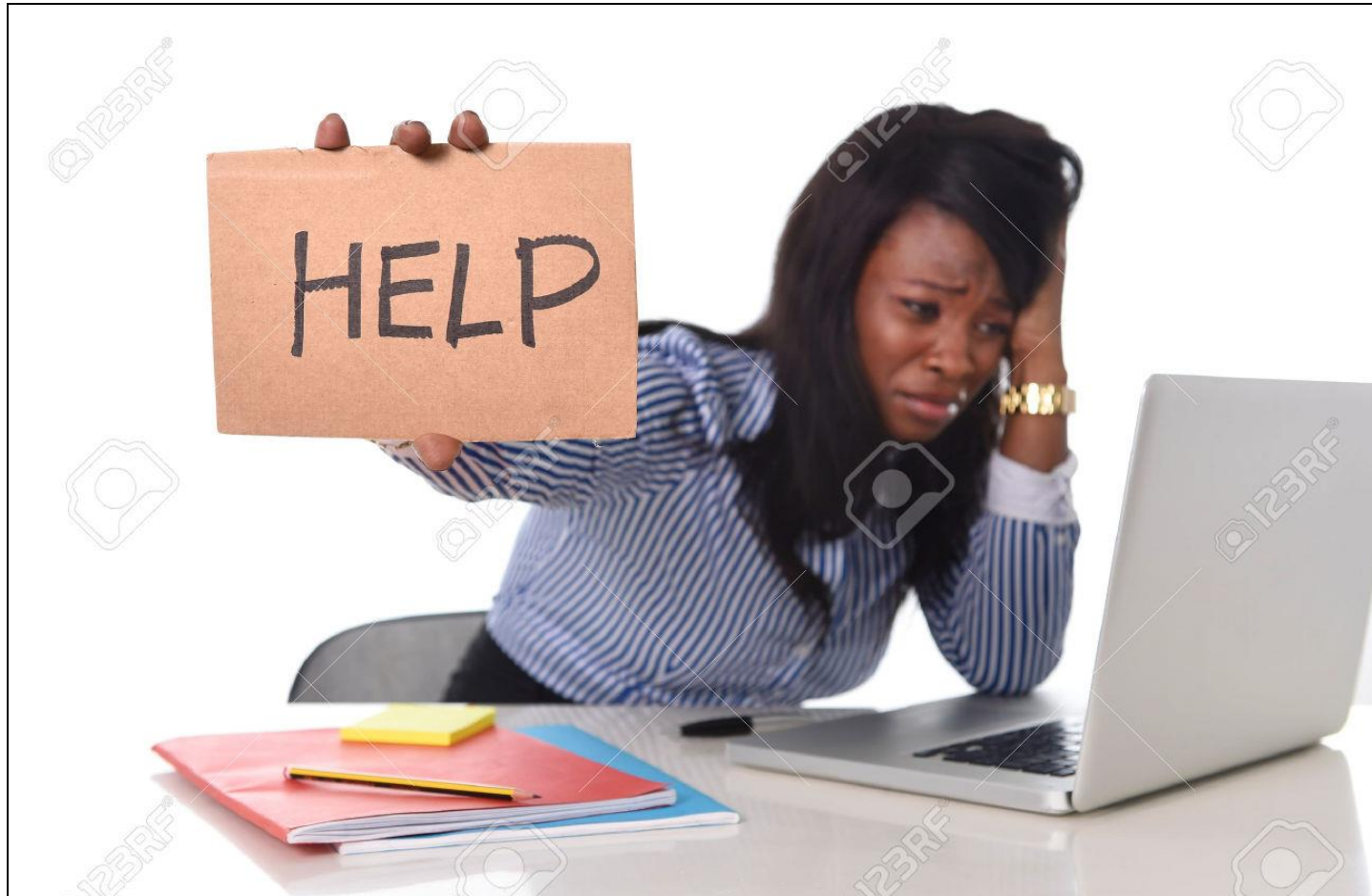
Time Period	Monthly Loan Repayment	Total Repayment (14% P.A)
1 year	450K	5.4M
3 years	171K	6.2M
5 years	116K	7.0M
10 years	78K	9.3M
15 years	67K	12.0M

Factors to consider -whether to save or borrow:



- ✓ How quickly do you need the money?
- ✓ If you decide to borrow, what's the best option?
- ✓ What type of loans and how much is the cost?
- ✓ Will you be able to borrow?
- ✓ Can you afford to borrow?
- ✓ How will you repay a loan if you are unable to work?

I Have a Debt Problem



Causes of Debt Problems



- ✓ Borrowing without repayment plan
- ✓ Multiple borrowing
- ✓ Borrowing to START a business
- ✓ Taking bad loans
- ✓ Procrastination in loan repayment
- ✓ Taking loans with high interest to repay debts with lower interests.

Taking a BAD LOAN: KSH.1.2M (To Buy a Car)



Time Period	Monthly Loan Repayment	Monthly (14% P.A)	Car Value (Depreciation)
1 year	108K	1.3M	900K - 970K
2 years	57K	1.38M	760K- 830K
3 years	41K	1.48M	640K- 700K
4 years	33K	1.57M	540K – 590K
5 years	28K	1.68M	460K – 480K

Signs of Debt Problems



Signs of Debt Problems



- ✓ Over-reliance on social loans from colleagues
- ✓ Over-reliance on salary advances from employers
- ✓ Addiction to gambling
- ✓ Increase number of debt demand letters
- ✓ Debt-to-income ratio over 26-33 percent,
- ✓ Defaulting on monthly loan repayments.

Remedial action---Managing Debt



- ✓ Negotiate for loan restructure with the lender
e.g. lower the monthly repayments
- ✓ Debt consolidation
- ✓ Debt counseling and structuring
- ✓ Converting loan facilities into affordable credit facilities e.g. overdraft to normal loans.

HOW DO I INVEST?



Investing- your money making money for you.

Every investment has both **RISKS** and **RETURNS**.

Forms of Investing

1. **Active** /Direct investment e.g investing in own business
2. **Passive investment** e.g stocks

Factors- Investment Choices



1. Investment objectives
2. Risk tolerance
3. Liquidity needs
4. Time horizon
5. Capital injection required
6. Participation (active /passive)

Investment Choices



1. Stocks and bonds
2. Mutual funds
3. Investment cooperatives
4. Real estate & properties
5. Fixed deposits
6. Offshore investments
7. Business and Agriculture (farming)

Investing---Starting a side hustle



What to Consider--Side Hustle /Business



1. Start the business at least 3 – 5 years before resigning.
2. Do not borrow to start a business
3. Research extensively - line of business
4. Do not start a business for self employment
5. Go for business line you are passionate about.
6. Understand the risks involved.

Why Invest in a Side Hustle /Business



Why Invest in a Side Hustle /Business



1. Lack of job security.
2. A source of extra income to achieve financial goals
3. A plan for launching entrepreneurship.
4. Part of retirement goals.
5. Pursuit of personal passion.
6. Create wealth.

Thank You....



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