

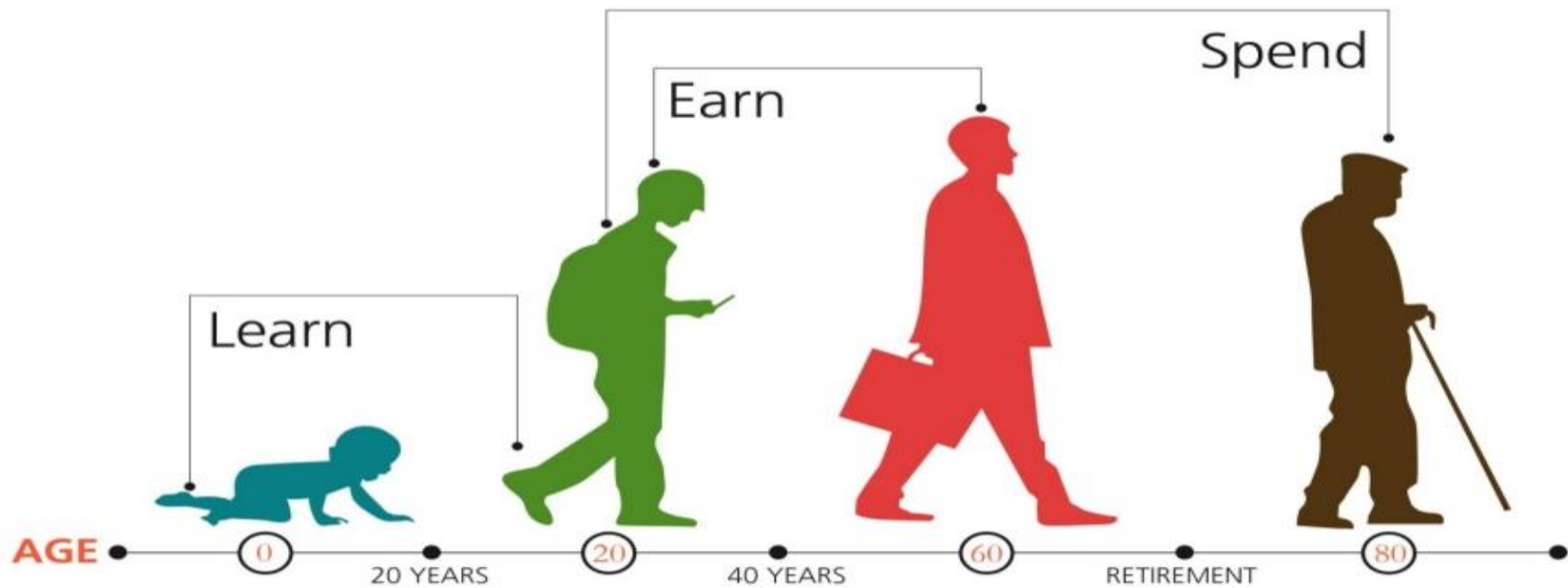
# Personal Financial Planning

# What is Personal Financial Planning?

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

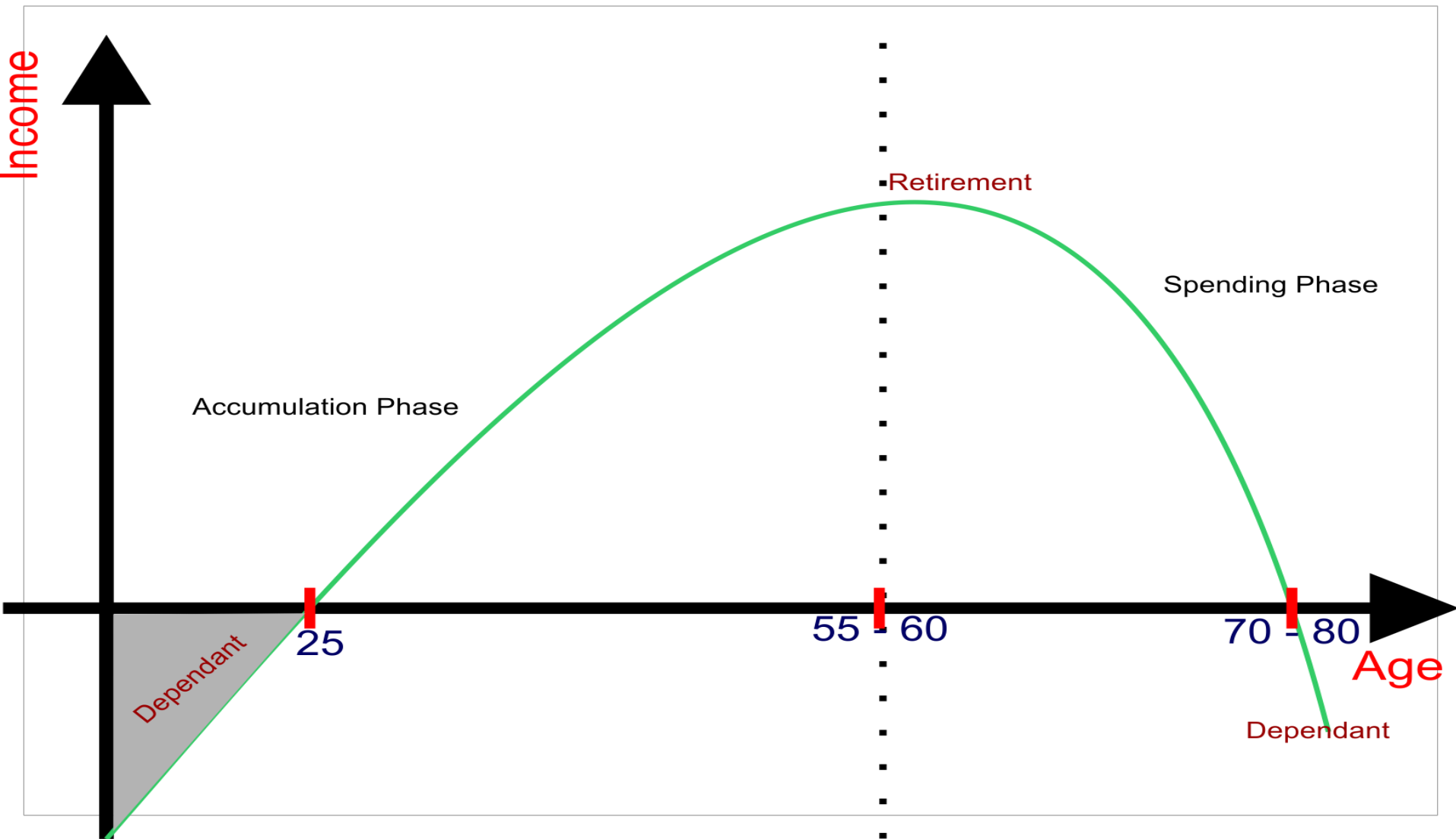
# Why Plan?

## TIMELINE OF YOUR FINANCIAL LIFE



*Earnings that are equal to or less than regular expenses result in debt.  
For a successful financial plan, earnings should be greater than expenses.*

# Income-Age Graph



# Ages 20 - 30

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

# Ages 30 to 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

# Ages 40 to 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

# Ages 50 to 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.



# 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 finances
  - 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

**EMERGENCY SITUATION**  
Expenses exceed salary  
income

**Good situation  
(Temporary)**  
Expenses below salary  
income

**BAD SITUATION**  
Expenses equal salary  
income

**FINANCIAL  
INDEPENDENCE**  
Expenses within/below  
asset income

# 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

Monthly Cash Outflows		Kshs	Monthly Cash Inflows		Kshs
Housing	Rent/Mortgage		Own Income:		
	Insurance & rates		Salary		
	Utilities		Business Income		
	Cleaning & security		Commission		
	Repairs & maintenance		Other		
	Furniture & appliances				
	g				
	Other				
Food	Shopping		Spouse Income:		
	Groceries		Salary		
	Breakfast		Business Income		
	Lunch		Commission		
	Fuel eg. Gas		Other		
	Other				
Transportation costs	Public transport				
	Car loan payment				
	Car Insurance				
	Car expenses eg. fuel, service				
	Parking, licences				
	Other				
Personal	Clothing				
	Laundry				
	Telephone				
	Medical				
	Personal care				
	Entertainment				
	Newspapers, books & magazines				
	Gifts				
Child care	Child welfare eg. Food, clothing				
	Child Daycare				
Education	Children school fees				
	Own education cost				
Loans	Personal loan				
	credit card charge				
	Other loans				
Savings:	Bank savings				
	Sacco savings				
	Policies				
	Investments				
	Other				
Other Costs:	Donations				
	Club/Association fees				
	Family aid				
	other				
	Surplus		Deficit		
<b>TOTAL</b>	<b>16</b>		<b>TOTAL</b>		



# Daily Expense Tracker/Cash Flow

	OPENING BALANCE	GAS	BREAKFAST	LUNCH	DINNER	GROCERY	ENTERTAINMENT	MAINTENANCE	GROOMING	TOTAL	CLOSING BAL
1st	\$300	\$50	\$20	\$30	\$20	\$10	\$60	\$35	\$30	\$255	\$45
2nd											
3rd											
4th											
5th											
6th											
7th											
8th											
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23rd											
24th											
25th											
26th											
27th											
28th											
29th											
30th											
TOTALS											

# Monthly Spending Exercise

CATEGORY	TOTAL SPENDING	PERCENTAGE
1 TITHE		10
2 SAVINGS - Replaceables		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

## Expenses/ Budget Analysis

**60%**

## Savings

### Rainy Day

Bank Deposits  
Merry Go Rounds  
Shares & Stocks

**10%**

### Save for Borrowing

Sacco  
Chamma

**10%**

## Long Term Investments

Investments plans  
(with compounding interests)

Investments Clubs

**20%**

## Protection

N.S.S.F  
N.H.I.F  
Welfare

# ENSURE YOU GET IT RIGHT

## INVESTMENT/DISTRIBUTION

Active to passive,  
embark on solid investments

## SAVING/ ACCUMULATION

(short term-comfortability,  
Mid term-sacco, credit worthiness  
Long term-cushion investments buffer

## PROTECT

(Family health, early death, disability, contingency fund ,  
pay off debts, children education, retirement, acquired  
assets.)

for peace of mind

# 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?

# Questions?

