Practical Personal Financial Management
Importance of money management

- Important life management skill to make the best use of money
- Financial independence
- Fulfillment of goals through the different stages of life
Money management

- Record your income and expenditure
- Prepare your budget plan for savings and expenses
- Implement your budget
- Review your budget
- Manage your money effectively (keep expenditure within the limits of your income and have enough savings)
Setting financial goals

• Short-term goal (1-3 years)
  (e.g. buy a mobile phone, computer and travelling)

• Medium-term goal (3 to 7 years)
  (e.g. furthering studies, working holiday, marriage, down payment for a flat)

• Long-term goal (more than 7 years)
  (e.g. education fund for your children, retirement arrangements)

How to turn your ‘wants’ into financials goals?
Steps of financial planning process

1. Assess your financial position
2. Prepare a budget
3. Set your financial goals
4. Know your risk tolerance
5. Work out and implement your financial plan
6. Regularly review your financial plan
Responsible borrowing

- What are your purposes of borrowing?
- How much do you need to borrow?
- What are the costs of taking out the loan?
- Will you be able to repay the loan?
Should I buy insurance?

- Do you have enough cash reserve?
- Does your employer provide the related insurance?
- Are you the bread winner of the family?
- Can you afford the insurance premium?
- Is your job secure?
- Does the period for insurance contribution suit your financial position?
Why should I invest?

Addition rule: income growth every year

Multiple rule: wealth growth by investment

Current assets

Wealth accumulated at retirement

Now

Retirement
6. The dos and don’ts of investing

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<th>DO</th>
<th>DON’T</th>
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<td>• Save a portion of your savings for emergency funds</td>
<td>• Pour all of your disposable income into investment</td>
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<td>• Evaluate your risk tolerance and manage the risks of investing</td>
<td>• Borrow money to invest</td>
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<td>• Use the dollar cost averaging to reduce short-term market fluctuations</td>
<td>• Invest in high risk products that you don’t fully understand or are not suitable to your risk tolerance</td>
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<td>• Engage in day trading, which speculates on the timing of stocks and has high investment risk</td>
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