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

Steps of financial planning process
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

Now

Wealth accumulated at retirement

Retirement
6. The dos and don’ts of investing

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<th>DO</th>
<th>DON’T</th>
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<tr>
<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</td>
<td>• Invest in high risk products that you don’t fully understand or are</td>
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<td>fluctuations</td>
<td>not suitable to your risk tolerance</td>
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<td>• Engage in day trading, which speculates on the timing of stocks</td>
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<td>and has high investment risk</td>
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