

December 2011

Staying Connected

For the Alumni of the ECCB
Savings and Investments Course

YOUR FINANCESYOUR FUTURE

YOUR FINANCIAL
NEWS

Merry Christmas
Everybody!

"Money buys one thing: more choices. Happiness comes by making the right choices. More choices can often lead to poor choices. I think there is a basic income level that provides satisfaction -- enough money to pay for basic needs and wants. Beyond that, it's the making of good choices that creates happiness." – R A Jones



*We wish you peace, unity and prosperity
for Christmas and the New Year*



Dear Santa

It's just me again with my Christmas list

I know in the past I never asked for much;
just a little peace and love... you know the mushy stuff
and some good Christmas food and Christmas cheer.

But Santa this year
my wishes have moved from the softer things in life
which are more abstract...
to the more tangible things that will certainly require some
hard cash.

The first item on my wish list is a **Blackberry**.

Santa, just imagine how many friends I would be able to bb.

I hope I am not asking for too much
but Santa I am tired of being out of touch.
Please hook me up with a Blackberry phone
so that next year I am not left out in the cold!

My second item on my wish list will surely kindle the **Christmas fire** in my dear heart.

Santa from the first time I saw it on Amazon, I knew we
weren't meant to live apart.
Giving me this gift is like gifting me the world as my library.
My dear Santa, you can't imagine how merry I will be;
and have you noticed that the **Kindle Fire** is priced so so
fine!
Only US\$199.

Did I forget to mention the **Xbox 360**

Santa, I think the creators made this one especially for me.
Using my body and voice, I become my own director, my
own TV star
Santa are you taking count of my wish list thus far?

Ok Santa , I won't be greedy
After all I don't want to deplete all your money
I know you have to have gifts for everybody
So Santa **the very last item that I wish for**
Is an array of sweet perfumes by Christian Dior

So that's my short list Santa. I've checked it twice
And may I remind you Santa that all year I have been
extremely nice.

SLW



My Dear Child

Reading your letters always makes me
smile.

I've read your list and checked it twice
and agree this year you have not been
naughty;

In fact, you have been extremely nice.
But the economy has been rather shaky
and so this is not time for you or I to go
on a shopping spree.

All around the world,
including at the north pole,
the economic recession has been felt
so Santa has had to really tighten his belt.
(Really tight!)

I've had to say good bye to most of my
faithful hard working elves
and without money I just can't afford to
re-stock the gift shelves.
So this Christmas, Santa is focusing not on
your wants but rather your needs.
My gifts to you are the simple but
important things in life...the answers to
all your dreams:

HOPE for a better tomorrow,
PEACE among all men, and
LOVE in abundance

These are the only things you need for a
wonderful Christmas and a wonderful life.

HO HO HO Merry Christmas ! SLW

An Uneasy Choice

This mini case study is shared with you as a teaching tool. The reader is asked to consider issues such as the perils of unmanageable debt, the consequences of life's choices, the uncertainties in life that can result in severe financial burdens and the importance of having an emergency fund, insurance, savings and investments to handle life's uncertainties and demands. Read the scenarios, discuss them with families and friends, gain more perspective and hone your financial intelligence so that you can move forward more successfully.

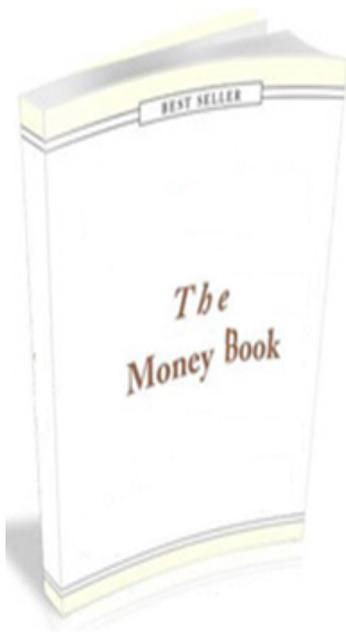
A wealthy benefactor has decided to pay off the debts of one person as his way of doing a good deed for Christmas. He has hired you to select the beneficiary from a list of three prospective candidates, each with a compelling story of financial distress. Your job is to assess the candidates and select the person who should have his/her debts paid off. You must decide your own criteria for your selection.

JANET: Devout christian, age 56. Single mother of three: two sons and a daughter. Recently, Janet has had to incur significant debt. She was forced to hire a lawyer to represent her eldest son who has continually gotten himself tangled up in criminal activity. With only a modest income, her daughter in college and the youngest son in high school, she is struggling to pay the bank loan (*she was forced to take to pay her son's latest legal fees*) while meeting her monthly expenses for her and her children. Janet suffers from high blood pressure and her health is being severely impacted by her financial worries and problems.

SASHA: Young woman, 7 1/2 months pregnant, age 25. Sasha has run up huge debts with various vendors and has not been able to make good on the debts. The Court has imposed a twenty-one day deadline to pay the \$25,000 owed. If she is not able to pay her debts within that timeframe she will be sentenced to jail. Her recurrent debt problems have caused her to lose her job, consequently, she is unable to secure a loan to clear her outstanding debt obligations. If she goes to prison, it is likely that her child will be born in prison and then placed in foster care. Sasha has no close family members.

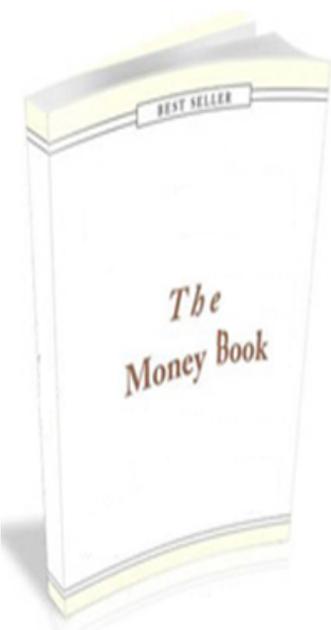
PHILLIP Married with five children, age 56. Phillip and his wife have always lived the high life; vacations and parties every year. Recently the wife suffered a stroke and had to be hospitalised overseas. Her medical bills have placed severe strain on the family. In the absence of health insurance, savings or investments to tap into, Phillip is forced to consider selling the family home to secure the funds to pay for his wife's medical bills.

40-30-20-10 BUDGETING TECHNIQUE



- **40 %** - Your monthly debt service should never exceed 40% of your monthly net income.
- **30 %** - Keep your monthly living expenses within the range of 30% or less of your monthly net income.
- **20 %** - Build up your Emergency Fund and Investment Fund. Cash in your emergency fund should be adequate to cover three to six months of living expenses.
- **10 %** - Save and make it a monthly habit.

BUDGETING TECHNIQUE LADDER YOUR SEASONAL EXPENSES

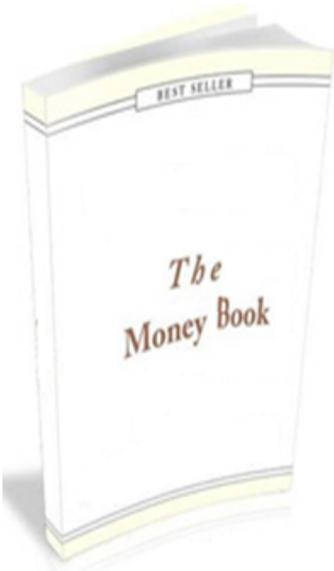


- Where possible stagger your seasonal expenses so that they fall in different months
 - **January** **Car license**
 - **March** **House Insurance**
 - **July** **Car insurance**
 - **September** **School fees**
 - **October** **Property tax**

Budgeting Can Help You PLAN YOUR BEST LIFE

BUDGETING TECHNIQUE

10-10-10-10



- Before you spend impulsively, apply the 10-10-10-10 rule. Ask yourself four simple questions:
 - How would that purchase impact my life 10 hours from now?
 - How would that purchase impact my life 10 days from now?
 - How would that purchase impact my life 10 months from now?
 - How would that purchase impact my life 10 years from now?

MONTHLY SPENDING PLAN	① CURRENT	② REVISED
Monthly Take Home	\$	\$
Saving	- \$	- \$
Monthly Expenses:	- \$	- \$
Mortgage Payment/Rent	- \$	- \$
Utilities	- \$	- \$
Food / Groceries	- \$	- \$
Lunches / Dinners Out	- \$	- \$
Transportation	- \$	- \$
Insurance (Home, Car, Life)	- \$	- \$
Taxes	- \$	- \$
Clothing	- \$	- \$
Personal	- \$	- \$
Entertainment	- \$	- \$
Gifts & Contributions	- \$	- \$
Family Allowance	- \$	- \$
Child Care	- \$	- \$
Education	- \$	- \$
Credit Card Payments	- \$	- \$
Car Payments	- \$	- \$
Maintenance (property fixes & repairs)	- \$	- \$
Other	- \$	- \$
Remaining Balance	= \$	= \$

Budgeting Can Help You LIVE YOUR BEST LIFE

Financial Intelligence for Wealth Building (Extract)

For the full article visit

<http://www.nigelchua.com/financial-intelligence-wealth-building.html>

Financial intelligence refers to intelligence that is used and required to solve financial problems...It is a skill that one can use and hone to become better and better at solving more and more complex and complicated financial problems...

Financial intelligence solves financial problems such as not earning enough, using more

If you solve your financial problems, you would then become financially smarter, and become richer...but if you don't, you would end up poorer.

insufficient funds for old age and retirement and not able to afford medical care...If our financial intelligence is not honed or sophisticated enough to solve these problems, these problems would *never* go away. Most of the time, money problems get worse and worse as it goes into a downward spiral e.g. being unable to afford to buy medical insurance...

Regardless whether we like it or not, whether it's fair or not, money plays an important part in our lives for the important stuff such as pursuing education, dealing with hunger, for the convenience of traveling

in cars and transportation, socializing events, medical and hospitalization coverage.

How Does One Hone One's Financial Intelligence?

By solving financial puzzles and problems. That's the only way you can get smarter financially. If you solve your financial problems, you would then become financially smarter, and become richer...but if you don't, you would end up poorer. The longer the problem persist, the poorer you'd become.

Usually people ignore a problem thinking it would go away on its own, or that they would just distract themselves with something else, but that never solves the problem. For example - if I'm short of cash, and I use my credit cards to pay for my bills, and if I can't pay off my credit card bills when the bankers come knocking on my door for payment, then I could take out a home equity loan on my house to pay my bills...if that happens, then I would have TWO bills to pay - credit card bill AND the home equity bill. That's not very sound financial planning.

You can see how money woes spiral downwards, getting worse and worse (how can it get worse? Yes, it can - to "get away" from these problems,

one may take a "break" by going on an indulgence holiday, spent on credit cards and one may end up being bankrupt. On one hand, declaring bankruptcy will take away all the temporary bills, but the root of the problem is still there, which is the lack of financial intelligence in the first place. Because of that, the whole cycle will begin again.

We would need to address the core problem at the root, and the only way is to solve the problem. You see, as you solve the problem, you become smarter at dealing with such problems, and in the long run, you will always be able to deal with such financial problems should you face it again in the future. You can then deal with bigger financial problems and puzzles, which if you successfully solve them, you would become financially smarter and richer.

The more you solve financial problems, the better you'd get at it, and the better you get at it, the more financial problems you'll solve, and the richer you'll become.

There's no one else whom I'd rely on to help me solve my money problems other than myself - no one else, no government, family, friends or organizations can help me. I would suggest the same for you too, to take charge and responsibility of your own finances...