

Staying Connected

For the Alumni of the ECCB's Savings and Investments Course



FINANCIAL FITNESS
Are Your Finances Hot?



Save more. Spend less.
Make sure as your income increases so do your savings and investments.

Take the 31– Day Fix Your Finances Challenge

Financial Literacy Month 2008 is being celebrated under the theme “Manage Your Money ... Live Your Dreams.” This 31 Day Fix Your Finances Challenge is an opportunity to enable everyone to improve their financial status and their lives.

Day 1 -Set financial goals. The first step in fixing your finances is to know and understand your present situation and then be determined to change your situation for the better.

 The next step is to **determine your financial goals and put them to paper.** Unwritten goals are easily forgotten.

For those who do not have a plan, today

is the day to set targets about what you would like to achieve in life. Where do you want to be, (*financially speaking*) a year from now, two years, or even five years from now?

- Do you want to be debt free?
- Do you want to have a savings account equal to six months of your monthly income or more?
- Do you want to own treasury bills, stocks or bonds?
- Do you want to own your own home?



If you don't know where you are going financially, you may end up somewhere you don't want to be.

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Well Connected



....but Disconnected Editor's Note



There they were, all three cell phones nicely displayed on the table.

“Why do you have all these phones?” I asked out of curiosity.

“I have got to stay connected to my peeps,” he replied smiling. “This one is with Cable and Wireless, this one is with Digicel and the other is with Chippie.”

So there we go..... well connected but disconnected. We own the cell phone but not the cell phone company.

We are connected to our peeps ...but disconnected from owning real assets - *land, a home, shares, our own business.* **Isn't it time we move from being mere consumers to being owners?**

Don't get me wrong—I do appreciate the connectivity available via my cell phone- but I certainly don't see the benefit of having two or three, unless it is a question of staying connected with one's customers. In this scenario, the phone is generating income.

In the other scenario, owning two and

three phones is one of a number of expensive trends that prevent you and I from being connected to those assets that truly count.

Seems to me like we need to disconnect from the latest trends and get connected to the things that really matter. Instead of making others rich off our spending why not make ourselves rich instead by saving and investing.

Oops, see you. Got to go, my cell is ringing :)



Challenge Cont'd



Whether it be saving for a home, retirement or a child's education, set specific goals and

prioritise.

Day 2 - Make finances a family affair. All family members need to discuss and understand where the money is going and why. Then create a spending plan that reflects the family's values and goals.

Day 3 - Develop a budget. A good place to start when setting your financial goals is to look at your budget. Simply put a budget is a plan that shows how you are going to allocate your weekly or monthly income to meet your financial obligations and have money set aside for savings. The budget gives you a clearer picture on what you have to spend and how it is to be spent.

Day 4 -Be flexible. Once you have set your goals for saving, realise that things can and will change. The secret is learning ways to be flexible. If you normally save \$100 per month and something unexpected happens, you may only be able to save \$50 that month. This is fine as long as you focus on getting back on track.

Day 5 -Track your income and expenses. You can only manage what you can measure and so the best way to begin to clean up your finances is to have a precise understanding about where your money goes each day.

Starting today, record in a pocket book all the items you purchase each day so that you can track your spending patterns.

You will surprise yourself when you discover how much money you

spend daily on that cup cake, patties or the bag of peanuts that you just have to have every day. As well as how much money you spend eating out, or liming with friends.

When tracking your spending it is important that you differentiate between your needs and your wants. This will help you to eliminate any unnecessary spending. The key is to trim your expenses by avoiding impulse shopping. By tracking your spending patterns you will also learn where you can cut back to increase your savings and investments.

Day 6 -Stop throwing away money unnecessarily. Expenses can be minimised using the following advice:

- Look for leakages in your water supply and turn off taps that are not in use.
- Conserve on your electricity consumption by turning off lights not in use and by using energy saver bulbs and equipment.
- Limit your phone calls and make calls only when necessary.

Day 7 -Reduce your debts. This might not be possible immediately, but perhaps you can consolidate debt, which would minimise the number of debtors you have, and hopefully reduce the monthly payment. The goal is to get bills under control and free up cash to put towards your dream.

Another way to tackle your debt is by talking to your banker about a payment plan that can help you to meet your loan commitments and avoid financial losses.

Also pay close attention to the size of your credit card debt. It is wise to limit your credit card debt to a level that you can pay off on time and in full each month.

Day 8 -Make loan payments on time to reduce fees paid, lower interest rates charged, and ensure greater access to affordable credit.

Day 9 -Change your mindset.

Before you can start to save money, you need to change the way you think about it. Most people think that money can buy them happiness in the form of the latest phone, fancy clothes and cars.

Sure, we **want** these things, but we don't **need** them. This is what gets most folks into trouble and is almost always the reason that makes saving difficult.



The next time you go shopping, even if it's only to the grocery store, ask yourself two questions:

- Do I need it? Or**
- Do I just want it?**

The most difficult thing to do, however, is to say "NO" to something that you "WANT." Yet this is exactly where saving money begins.

Perhaps you notice that when you're bored you head to the shops, or when money is particularly tight, you have an overwhelming "need" to spend. Next time this happens, why not go for a walk or find another distraction or source of comfort that will not cause you spend money on something you don't need and destroy your savings plan.

Day 10 -Adjust your attitude towards saving. If you think you can't save, then you probably won't. Be determined and stay positive about saving. Once you cut back on unnecessary spending there will be opportunities for savings. Put away some cash every month and this will help get you in the habit of saving. As you see your savings mount up, this will become easier and easier.

As you go forward with the process of saving money, you need to have a positive attitude which is often what will keep you and your family headed in the right direction.

Day 11 -Build a nest egg for yourself. It's not about having a lot of money; it's about using what you have to create financial protection and independence.

If you have \$50.00 dollars left after paying your bills, save \$30.00 before you use the other \$20.00 on something else.

You can start saving money by throwing your loose change into a jar, and then depositing them to your account.

For those who do not have a savings account, now is good time to open one so you can get in the habit of saving.

Day 12 -Adopt good money management practices. A good way to do this is by looking at how much you earn versus how much you spend. It is important to live within or even below your means, not beyond them.

If you bring home \$200.00 per week, spend within that limit. Put money aside in an automatic savings plan with your bank and don't buy nonessential items.

Day 13-Cut back on expenses. Why not walk with your lunch instead of eating out or opt for a good public school instead of private schooling for your child even for one or two years.

Day 14 -Consider a part-time or weekend job to catch up on your bills. While an extra job may be too much to handle for a long period of time, you may wish to take an extra job temporarily until you pay off a few of your bills.

Day 15 -Pay yourself first. This does not mean going on a shopping spree. Rather it means diligently setting aside money for your future. Set up automatic payroll deductions that channel money directly from your salary to a savings account.

Day 16 -Prepare for uncertainties. Sickness, accidents or other life adversities have no particular timing in life. It is important that you have life insurance, medical, dental, home and auto insurance to shield your savings.

In the event of a death, life insurance relieves your family of additional financial burdens. Without health insurance, a prolonged illness can erode your life's savings.

Also remember when purchasing vehicular insurance that you can keep the cost of your vehicle insurance down by:-

- Driving safely
- Having your vehicle properly valued on an annual basis
- Having all drivers listed or purchase coverage for any authorised driver.

Day 17 -Arm yourself with a financial parachute by starting an emergency savings account, which is money you will touch only in the event of a job loss or crisis. Ideally your emergency fund should cover at least six months worth of living expenses in case you lose your job or are sick and cannot work.

Day 18 -Invest in education. It is never too late to learn something new, especially when that something can help build wealth or create new career opportunities.

Also, you can play a vital role in your children's education by establishing a college fund. Remember an investment in knowledge always pays the best interest.

Day 19 -Build intergenerational wealth by passing on to your children solid money management skills. Remember children pay more attention to what you do rather than what you say. So let your actions reflect financial discipline.

Day 20 -Start saving towards purchasing your own home. Financial institutions require that you have adequate cash to cover the down payment and initial costs associated with the property you intend to acquire.

The down payment is usually 10%. Initial costs, which include items such as legal fees, and property taxes, may average between 5%-10%. So in all you should strive to have about 20% of the value of the property before you consider a mortgage.

If you have little saved towards your down payment or initial costs, begin saving a regular amount for this purpose.

Day 21 -The pluses of owning the roof over your head far outweigh the minuses. Think of rent as the money you give landlords to pay their mortgage. Think of your own mortgage as a springboard to financial empowerment.

Challenge Cont'd

When planning to save for a home, watch your debt levels! Typically banks want no more than 40 - 45% of your gross monthly income going to service your mortgage and other installment debts. More than this can affect the size of the mortgage that you qualify for.



Day 22 -Establish a good credit record. Creditability is an important criteria used in qualifying applicants for a loan. You can be qualified for a loan by building a good credit record. This can be done by paying your debts on time.

Also the more information you can provide about yourself, the more comfortable lenders may feel extending credit to you. In addition, certain information -- such as having the same job -- can make you appear to be more stable in lenders' eyes.

Day 23 -Always negotiate your interest rates on loans. This can be done by shopping around at various financial institutions. A one-percent difference can have a significant effect on your loan.

Day 24 -Plan to own more than just a home. Invest in a variety of assets such as treasury bills, mutual funds, stocks, bonds and real estate. The old saying “do not put all your eggs in one basket” still rings true today. It pays to diversify your investments. Gains in one investment can offset losses in others.

Day 25 -Never invest on an ad hoc manner. You should have an overall financial plan designed to meet your overall financial needs, taking into account your investment goals and your risk tolerance.

When someone approaches you with a get rich scheme, trust your instincts. Be extremely cautious if the returns on an investment exceed what is generally available. If something sounds too good to be true, it probably is.

Day 26 -Don't be ignorant about your finances. Ask your banker questions and make him or her explain things that you don't understand. It is your money, make it work for you.

Also, pay attention to your investments. If you don't understand certain investment issues, consult a qualified financial professional.

Day 27 -Start setting aside money for your retirement today. Time is at the heart of and soul of building wealth and financial security, hence the adage “**Time Is Money**”.



Here Is How Time Can Work For You:

- The longer you invest the more money you will accumulate.
- The more money you invest, the more it will accumulate because of the magic of compound interest.

Day 28 -Stick with your financial plan. You need to be discipline to continue to save money for specific, long-term goals every month. Personal finance isn't a way to get rich quick; it is a disciplined execution of your lifetime plans.

Day 29 -Be creative in your approach to managing your finances. Creativity allows you to make something last longer rather than replacing it when you don't have the money. It means juggling money to stay out of debt rather than simply paying with a credit card. It means finding a

cheaper alternative when money is tight. In these ways, creativity plays a large role in keeping finances in order.

Day 30 -Take time to reflect. It's important to be able to look at your financial decisions and reflect on their results. You're going to make financial mistakes. Everyone does. The key is to learn from those mistakes so you don't make them again, or recognise if you keep repeating them.

Day 31 -Work hard and smart. Creating wealth and staying out of debt rarely come about without a lot of hard work.

Many people might hope that the lottery will solve all their financial problems. The true path to financial freedom, however, is to work hard to earn money while educating yourself to continue to have more value and increase your earning power.

After completing this financial challenge, make these principles a way of life. If you do so you will not only dream, but you will live your dreams.

Building Wealth

It is never too late to get your finances in order. Wherever you are right now in your life, a little extra savings can go an amazingly long way towards building a sizeable nest egg.