

BASIC BUSINESS SKILLS COURSE FOR ADS OWNERS ADS Business Manual

Module 2: Life Goals and Personal Financial Planning



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MODULE 2: LIFE GOALS AND PERSONAL FINANCIAL PLANNING

Setting Goals to Reach Your Personal Vision

A vision is the mental picture of what you want. As adults, we have a vision of what we want our lives to be—where we will live, how we will live, what we will do with our lives, etc.

To achieve our vision, we set goals—personal goals and financial goals. Setting goals means identifying where you want to go, what you want to be, when you get there, why you want something, and knowing how you will get what you want. For example:

-  Where do you want to be in the next five years?
-  What type of person do you want to be married to?
-  How many children do you plan to have?

Goals are clear targets that you would like to achieve. Financial goals are specific financial targets you have.







Goals help you to achieve a vision. A vision is the ideal imagined reality you aspire to achieve. A vision is likened to a dream. For example, if your vision is to be debt-free, then your financial goals will help you set priorities and financial targets to ensure your dream for financial freedom.

Relationship Between Life Goals and Financial Goals

Life goals have a relationship with financial goals. You can only achieve life goals when you attain financial goals.








Personal Goals in Life

Examples of non-financial goals include:

-  Family size
-  Education
-  Insurance
-  Standard of living
-  Religious affiliation
-  Marital Status




Financial Goals

Examples of financial goals include:

-  Servicing a family budget
-  Paying for a new car
-  Obtaining a personal education loan
-  Buying a house on mortgage terms
-  School fees
-  Paying your wedding costs
-  Paying up your debts

The goals in your life influence the nature of financial goals you set. Your personal goals, therefore, determine how you plan and use your finances.

Summary





-  Setting goals in life is a key to success.
-  Personal financial goals are derived from personal goals.
-  A goal has four key elements: where, what, why, and how.

Importance of Managing Personal Finances




Why Do We Need to Plan and Manage Our Personal Finances?



Financial literacy is the capacity to plan and manage personal finances. A financially literate individual is able to identify the amount of money he or she needs at key stages of life, develop strategies for earning the money, and use money earned in a productive, profitable, and sustainable manner.

Benefits of Personal Financial Planning

-  It helps individuals to be organized achieve financial independence.
-  It helps individuals to benefit from the use of limited resources.
-  It furthers the individual's progression to self-reliance.
-  It supports vision, discipline, enterprise, investment, innovation, and responsibility.

Summary

-  Set financial goals.
-  Prioritize your financial goals.
-  Determine the way you will reach your financial goals.

-  Have realistic expectations.
-  A financially literate person understands the importance of budgeting, savings, and investment, and has the right attitude to managing his or her personal finances.

Prioritising Financial Goals

The achievement of goals is dependent on careful planning, hard work, commitment, and self-discipline. The achievement of financial goals is affected by your personal goals and priorities, and these are further influenced by age, socio-economic environment, and clarity of vision. Prioritisation of personal goals in general, and personal financial goals in particular, is a prerequisite to successful attainment of both financial and non-financial goals.

The achievement of your personal financial goals, your planning, and your financial management behaviour are all influenced by your personal priorities.

Personal Priority Table

Age	Personal Priorities	Financial Priorities
Teenager to young adult (15-25 years old)	Doing well in school, dating, partying, spending on the latest items/fashion, etc.	Receiving and spending money
Young adults (25-35 years old)	Embarking on a career, earning lots of money, independence from parents, getting married, starting a family, moving out even if it means renting an apartment, young children's health, spending on the latest items/ fashion, buying first bicycle/ motorcycle or car	Spending on non-priorities, especially to impress others, and earning an income. Some have started planning for savings and investment.
Adults (35-45 years old)	Buying or building a first home/ second home stop having children, going back to school, contemplate a career change, school fees for the children and seeing them through school, paying insurance and life insurance plan, financial stability through return on investment expanding social and professional networks, marital stability, handling teenage children.	Earning an income, savings and starting to investment in real estate, shares, bonds, treasury bills and business, start investing for children.
Mature adults (45-55 years old)	Children's university education, good health, career consolidation, children's career success, children's social success as young adults, family succession planning, contributing to social development.	Tripling income, savings, and consolidating investments made in real estate, shares, bonds, treasury bills and business.

Age	Personal Priorities	Financial Priorities
Extremely mature adults (55-65 years old)	Preparing for formal retirement through further consolidation of career and business investments, return on their investment in children's education, continued good health, continuous consolidation of social and professional networks, investing in society/giving back, the fate of the next generation, remaining relevant and productive.	Health insurance payments, and receiving maximum return on investments made throughout career, like real estate income, shares, etc.

Summary

- ✚ It's never too late to set financial goals or personal goals. You can start now!
- ✚ Personal goals inform financial goals.
- ✚ "Written goals are evidence of potentially achieved goals."
- ✚ An effective plan must have prioritized goals.
- ✚ Goals must be specific, measurable, achievable, realistic, and time-bound (SMART)

The Building Blocks of Success

Developing and Managing Your Personal Budget

You need to plan for expenditures, manage your expenditures, and compare your expenditures against your income on a monthly basis.

Your Budget










Your budget normally covers *fixed* and *variable* costs.

Fixed costs are all those monthly expenses that have to be met. They include the following:



- ✚ Electricity
- ✚ Rent
- ✚ Water
- ✚ Insurance
- ✚ School fees
- ✚ Loan payments/ advances
- ✚ Medical expenses for chronic conditions like hypertension
- ✚ Tithe
- ✚ Food
- ✚ Communication/airtime

 Transport

Variable costs include all those expenses that one can generally live without during the month. They include the following:

-  Clothing
-  Hair care
-  Entertainment
-  Weddings
-  Funerals
-  Emergency medical expenses
-  Social pledges
-  Gifts
-  Pay TV (Digital Satellite Television [DSTV], Star times, GoTV)







Savings



-  Plan to save 10% of your income.
-  Ensure you have a “safe margin” of three months of income (as savings).

Example: Managing personal income and expenditure

1. List all your sources of monthly income.
2. Calculate your total monthly income.
3. Review your monthly budget and list all your monthly expenses.
4. Determine if your income has covered all your expenses (including savings, investments, and tithes).
5. In case you have a gap between income and expenses, develop a strategy to close that gap.

Summary

-  Keep track of your income versus actual expenditure and avoid an income versus expenses gap.
-  Exercising restraint and self-discipline is necessary for successful financial planning and management.
-  You must aim to save a tenth of your income over and above your tithe! Discuss income and expenses with family.
-  Live within your means.
-  Maintain a good credit history with your financial institutions.
-  Avoid credit as much as possible.

-  Credit must only be used for a business investment or a real life-threatening emergency situation.
-  Continuously explore ways of diversifying and increasing your income.

Sample planning approach steps

1. Determine concrete goals.
 - a. State your broad goal. (Example: buy a home).
 - b. Determine the specific pieces to achieve that goal. (Example: down payment amount.)
2. Create an action plan.
 - a. Define how to achieve each of the specific pieces of the goal.
 - b. Determine how much to save each month and where to invest the money.
3. Evaluate performance.
 - a. Check on steps 1 and 2 at least once a year.
 - b. Make adjustments, as needed.
4. Decide on a future course of action.
 - a. Continue with the present overall plan.
 - b. Adjust the overall plan, as needed.