Bachelor of Science In Finance Year One

Personal Finance

Topic One: Overview of Personal Finance

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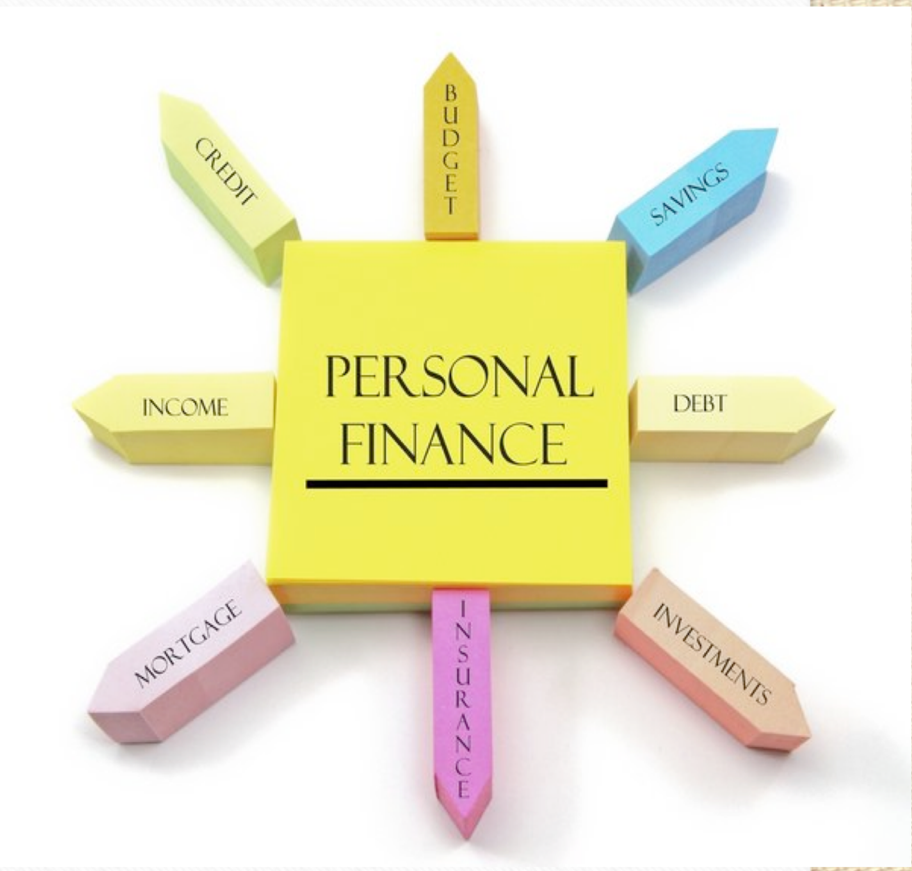
Class Outline

- ❑ What is Personal Finance
- ❑ Why is personal finance important
- ❑ The four pillars of personal finance
- ❑ Principles of Personal Finance



What is Personal Finance

- An activity that involves all the individual financial decisions
- Not understanding how to manage finances or be financially disciplined has led many people to accumulate enormous debt or go broke
- Includes but not limited to;
  - Income
  - Budgeting
  - Saving
  - Credit
  - Insurance etc
- When a person plans their personal finance, one needs to take on a range of financial products and other personal factors into consideration.
- Personal finance has a significant influence on one's life and future

Why is Personal Finance Important

- Personal finance is a vital part of not only managing your day-to-day financial needs but also planning your financial future.

Class Discussion…..

The Six Pillars of Personal Finance

- Earn
- Save
- Invest
- Spend
- Protect
- Borrow/Debt

Principles of Personal Finance

- Know your take home pay.
  Before committing to significant expenditures, estimate how much income is likely to be available for you.
- Pay yourself first.
  Before paying bills and other financial obligations, set aside an affordable amount each month in accounts designated for long-range goals and unexpected emergencies.
- Start saving at young age.
  Recognize that your total savings are determined both by the interest you earn on those savings and the time period over which you save.
- Compare interest rates.
  Obtain rate information from multiple financial services firms to get the best value for your money.
- Don't borrow what you can't repay.
  Be a responsible borrower who repays as promised, showing you are worthy of getting credit in the future.
- Budget your money.

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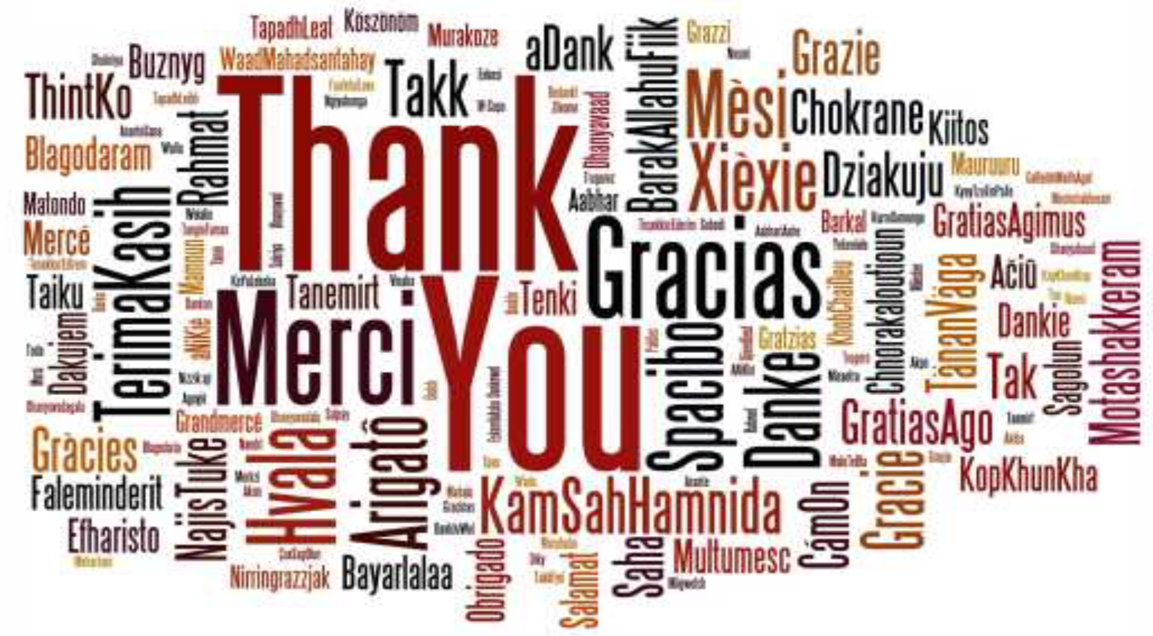
- An annual budget to identify expected income and expenses, including savings, will help you live within your income.
- Purchase insurance to avoid being wiped out by a financial loss, such as an illness or accident
- High returns equal high risks.
- Recognize that no one will pay you high interest rates on a sure thing. Diversification of assets is the best protection against risk.
- Don't expect something for nothing.
  If it sounds too good to be true, it probably is.
- Map your financial future.
- Take time to list your financial goals, along with a realistic plan for achieving them.
- Your credit past is your credit future.
- Be aware that credit bureaus maintain credit reports, which record borrowers' histories of repaying loans.
- Negative information in credit reports can affect your ability to borrow at a later point



Any Questions???

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