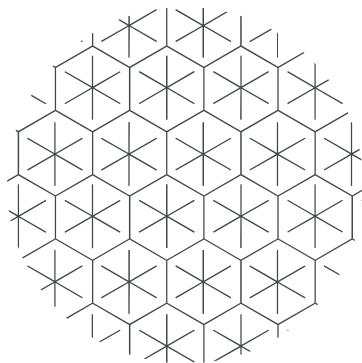




Introduction to Personal Finance

Learning objective; Understanding Core Personal Finance Concepts



01

Topic: Earning Income

"The poor and middle-class work for money. The rich have money work for them."—
Robert Kiyosaki, Rich Dad Poor Dad

Topic: Earning Income

- Lecture Objectives
- By the end of this lecture, you will be able to:
- Define income and explain its central role in personal financial planning.
- Classify the main types and sources of income (with Ugandan examples).
- Analyze factors influencing earning potentialApply Ugandan Personal Income Tax (PIT) rules to income.
- Calculate tax payable and net income.

What is income?

- Income is money that you receive or earn.

Definition: Income refers to money received in exchange for:

- Labor
 - Capital
 - Resources
- If you have money, you can do things.
 - The more income you earn, the more financial options you have.

Why “Earning Income” Matters

- Income is the Foundation of Personal Finance

Income:

- Is the foundation of financial planning
- Determines spending capacity
- Affects saving and investment potential
- Influences borrowing capacity
- Determines tax liability
- Shapes long-term wealth accumulation
- *Without sustainable income, even the best budget or investment plan fails.*
- *Most of you are in university for many reasons, and one of those reasons might be “to earn more” or “to increase your earning potential in the future.” Hopefully your experience helps you do that.*

Earning income

- Activity 01 – Past Income Sources
 - Think back 2–3 years.
 - List 5 different sources of income you've received money from:
 - 1
 - 2
 - 3
- Activity 02 – Future Income Planning
 - Think about the next 2–3 years.
 - Planned Income(Most likely sources)
 - Also think about jobs you've never done or sources of income you've never considered. We'll call this your Possible Income.
 - What did you come up with for your Possible Income? How creative were you?
 - There are many, many opportunities to earn extra cash. You may not be able to pursue them all– but you can probably pursue more than you think.

Types of Income

2.1 Earned Income (Active Income)

Definition: Income from personal effort or services.

- Requires active participation
- Time-bound (salary, wages)
- Stops when work stops
- Subject to income tax

Examples; salaries, wages, bonuses, commissions, professional fees.

Advantages:

- Predictable and stable
- Easier to budget

Disadvantages:

- Limited by time and energy
- Vulnerable to job loss

Types of Income

2.2 Unearned Income (Passive Income)

Definition: Income without daily active involvement

- Derived from assets or investments
- May continue without working
- Linked to wealth accumulation

Examples; dividends, rental income, interest income, royalties, capital gains.

Advantages:

- Builds financial independence
- Not limited by working hours

Disadvantages:

- Requires initial capital
- May fluctuate with markets

Types of Income

2.3 Portfolio Income

Definition: Income from financial investments

- Interest from treasury bills
- Bond coupon payments
- Dividends from shares
- Capital gains

Influenced by interest rates, markets, inflation

2.3 Business Income

Definition: Income from running a business

- Sole proprietorship profits
- Partnership income
- Dividends from own company
- Variable but high potential return

Influenced by interest rates, markets, inflation

Types of Income

2.5 Transfer Income

Definition: Income received without providing goods/services

- Government pensions
- Social security benefits
- Scholarships and grants
- Remittances
- Gifts
- Upkeep stipend/ pocket money

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Types of Income

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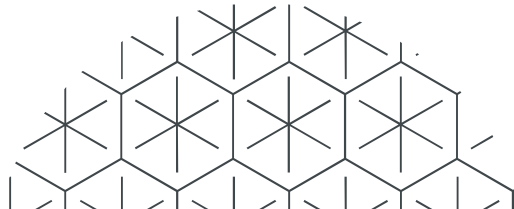
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Sources of income



Sources of Earning Income

Formal Employment

- ❑ Salaried jobs, stable income, benefits
- ❑ Informal Employment:
- ❑ Casual labor, small trade, daily wages

Self-Employment

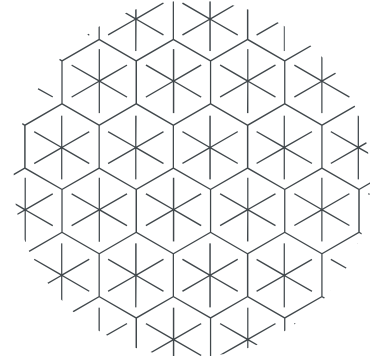
Individuals offer goods/services directly

- ❑ Consultants, farmers, shop owners, freelancers
- Advantages: Flexibility, growth potential
- Disadvantages: Income volatility, business risk

Entrepreneurship

Starting ventures with growth objectives

- ❑ Tech startups, manufacturing, services
- Income from profits and equity appreciation



Sources of Earning Income

Investment Income Sources

- Financial Investments: Treasury bills, bonds, shares
- Real Estate: Rental property, commercial leasing
- Collective Schemes: Mutual funds, pension funds

Intellectual Property

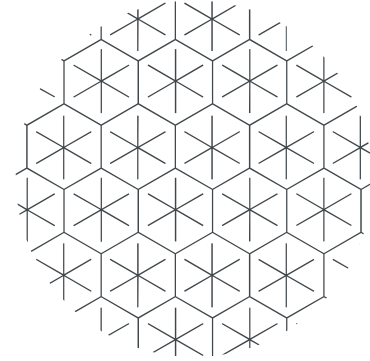
Income from creative/innovative works

- Book royalties
- Music royalties
- Patents
- Software licensing

Digital & Online Income

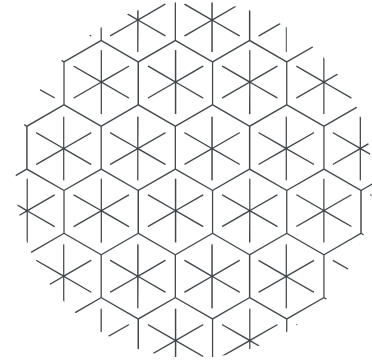
Content creation

- Affiliate marketing
- Online courses
- E-commerce
- Increasingly relevant for young populations



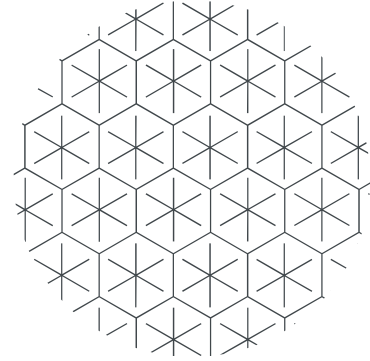
Determinants of Income Level

- ❑ Education
- ❑ Skills and competencies
- ❑ Experience
- ❑ Industry and sector
- ❑ Labor dynamics
- ❑ Economic conditions (inflation, growth, demand)



Human Capital – Your Greatest Asset

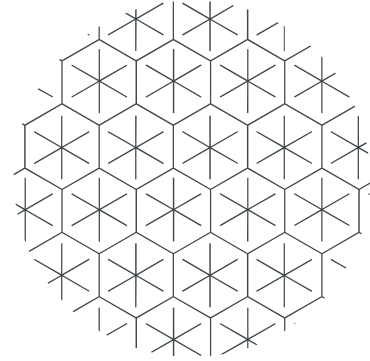
- ❑ Human capital = Your:
- ❑ Education
- ❑ Skills
- ❑ Experience
- ❑ Reputation
- ❑ Health
- ❑ Network
- ❑ The best investment you can ever make is in yourself.
- ❑ Higher human capital → Higher earning potential.



Strategies to Increase Earnings

Any suggestions?

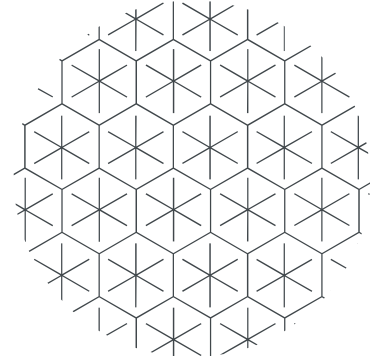
- Invest in certifications (CPA, ACCA, CFA)
- Learn digital skills (Excel, Python, data analysis)
- Gain experience (internships)
- Network (LinkedIn, alumni events)
- Negotiate salary and benefits
- Develop multiple income streams (side hustle)



Importance of Diversifying Income

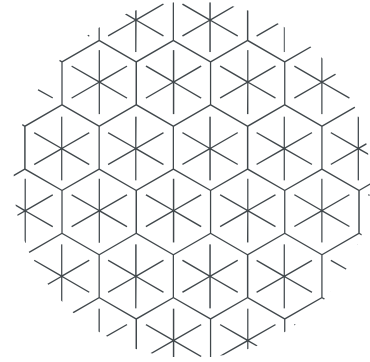
- ❑ Prevents increased risk of debts
- ❑ Protects against job loss
- ❑ Provides inflation protection
- ❑ Accelerates wealth building

Tip: Combine earned, business & investment income



Taxes & Income

- ❑ Taxes are mandatory payments that individuals, businesses, and other entities must make to the government (local, regional, or national).
- ❑ These payments are not voluntary; if you earn income, buy goods, own property, or engage in certain activities above certain thresholds, the law requires you to pay.

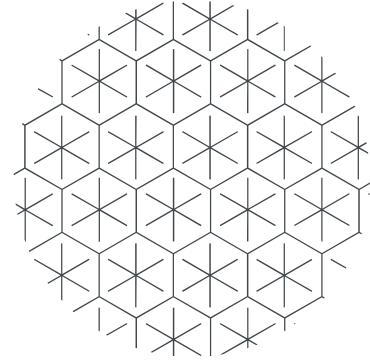


Taxes & Income

Governments use tax revenue to fund essential public services and infrastructure that benefit society as a whole, such as:

- ❑ Roads, bridges, and public transport
- ❑ Schools and education
- ❑ Hospitals and healthcare
- ❑ Police, army, and national security
- ❑ Social programs (e.g., pensions, unemployment benefits)
- ❑ Debt repayment and other government operations

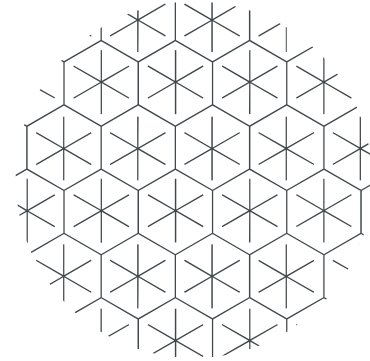
In short: Taxes are the price we collectively pay for living in an organized society with shared public goods.



Taxes & Income

Assignment

- Understand the different taxes paid by individuals in UG and the applicable rates
- Assume a BCOM/BSF graduate earns a job with a starting gross salary of UGX 2,000,000. Calculate the tax payable and the net pay.



End of Presentation

Questions & Discussion

