# Management

# Practical Steps to Managing Personal Finances

## Increase your Income

This is covered under the topic of production, creativity, innovation, entrepreneurship, and aspects of management.

* First seek a stable position in the direction of your calling or training. Up to the age of thirty, consider this your apprenticeship, learning every aspect of the discipline or field from working under experts.
* If you own the means of production long-term, you are likely to earn more. It may be a good aim by the age of thirty to have your own business employing others but not all are able to manage their own businesses.
* Over time, seek to have four or more streams of income. At any given time, one may be doing better than another.

## Break the power of the loan sharks

This is where the self – help or savings groups come into play. By building savings one does not need to go to the loan sharks. Few of us have problems if someone makes 3% or 5% or even 10% profit on a deal. Beyond that is generally known as usury. Credit cards are loan sharks, in a system of usury that has gained worldwide control of most people’s finances.

3.3 understand the power of cumulative interest, or exponential growth of money if it is invested. It works for savings and for debt.

e.g. P1,000 @6% in savings for 40 years becomes P10,284

P1,000 @12% for 40 years becomes P93,050

P1,000 @ 18% for 40 years becomes P750,378

In the same way the loan shark at 5/6 or 20% per month over 40 months can make P1000 loan cost you more than P800,000.

Pay credit cards off and cut them up as fast as you can.

Credit for consumer items is very different to a loan for a reasonable business expense or even a house. In the case of a business loan, a bank and the lender both analyse the risk factors of setting up the business, it’s likely returns etc., and both consider if they are willing to take that risk. It’s to the benefit of both parties.

With a house, it is generally an increasing value asset (e.g. if the house is bought for P300,000, in a year it is worth P315,000, and after five years 360,000), so after taking the loan, even if one cannot pay it off, the house can be sold and neither bank nor lender are in debt. The exception is when there is a market downturn, such as happens every 7-8 years in the United States. The stage at which you are in that market cycle affects how much your house is likely to be worth. If you must sell it is good to sell when the market is at a higher level.

## Control your expenses

*2.1* Keep a *daily record of expenses*.

Every Sunday evening, and on the 1st of each month, meet with your wife or husband or an accountability partner and

2.2 Prepare *a weekly or monthly budget*. Use this to work out what you need to cut.

2.3 Record weekly *income and expenses* and summarize monthly. These show progressions over time.

* 1. Develop a monthly and yearly *balance sheet. A balance sheet is a snapshot of what you have and owe at a particular point in time.*

## Save

At each stage of life there are foreseeable expenses for which it is important to save ahead.

4.1 At all stages, put aside enough for an *emergency fund* first.

At least one week’s income initially, then, grow this to 2-3 months of your monthly income. Emergencies are not buying something new, but sudden events that are unexpected. Death, illness, an accident…

e.g if I earn P20,000 initially aim to put aside P5,000 into this emergency fund.

4.2 Save for foreseeable or major *capital expenses* like a piece of furniture, vehicle, education, Christmas, your daughter’s wedding. Do not plan to buy on credit, but when you have the money saved up. This will save you much money.

e.g A couch at P4000, if you save P200 per month in the cookie jar, will take you 24 months. But if you buy and put it on credit at 18% it will cost you P4,000 x 118% x 118% = P5,569. That is 40% more.

4.3 The most important investment at the first stage of your life is a good education. If you have a degree you are more likely to get a job, and the pay will be significantly higher. If you can get a Master’s degree or a Ph.D. then the opportunities and income levels increase dramatically. However, in societies such as New Zealand, where education is considered to be a right for all this may be feasible. In societies with extreme views of what capitalism is, such as the US, where they do not consider education as a social responsibility but a capitalist commodity, then the costs become inordinate, and graduation with high levels of debt cripple freedom for many years.

4.4 The ideal is that when you marry, you have enough for a down-payment on your home. Then you are not wasting money on rent which is money down the drain. The down payment is 5% or 20% depending on the current legislation. It is wise to sacrifice luxuries, coffees, the good life, holidays, in order to get this down payment.

4.5 Save for your children’s education.

4.5 Save for retirement, so as to not be dependent others. Start early with 3% of your income. In traditional societies, the children care for the parents in old age. As societies move into the modern framework, these ties become weaker.

### Give

* 1. Save 10%, Give 10%.
  2. Primarily tithing in the scriptures is to the poor. Various offerings are for the poor. In Acts it was given to the apostles to distribute to the poor.
  3. But the priests also were to receive offerings and Paul tells us that “a labourer is worthy of his hire”, so giving a % to your church is also important. Many of us use some of that to support those on the forefront of growing the church globally.