Making Sense Of Your Money
Preface

Do you find it hard to set financial goals? Would you like to learn how to make your money grow? How about developing a good spending and savings plan? This E-Book can help you do all this and more.

This E-Book is subdivided into 7 chapters as follows:

• Are Your Financial Goals S.M.A.R.T.?
• Is Interest Your Friend Or Your Foe?
• Where Did Your Money Go?
• Developing A Good Spending Plan.
• Budgeting Made Easy.
• How Do You Stretch Your Dollar?
• What Is The Real Cost Of Instalment Plans?

The contents of this E-Book are adapted from actual training material used in the course entitled “Making Sense Of Your Money” that our Institute conducts.
In each chapter, you will find a video followed by case studies, practical examples and suggestions. Each chapter also has a unique widget which can help you develop good financial habits. Click on the Movies and Widgets to access them online. Internet access is required.

At the end of each chapter is a summary. The chapters can be viewed either sequentially or in random order, though it would be more logical to view the contents sequentially. We hope that you will be able to learn the various money management skills presented here. Do contact us if you have additional queries or suggestions. Thank you.

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INSTITUTE FOR FINANCIAL LITERACY
MONEYSENSE - SINGAPORE POLYTECHNIC
Read about what others have to say about our FREE and UNBIASED Financial Literacy talks and workshops.

“The talk on Making Sense of Your Money was informative and educational. The trainer cited relevant examples which we could relate to and this is one of the best financial talks that received raved reviews from my colleagues. We can’t wait to attend the next series.”

Ms Ye Luyan, ST Microelectronics
It is important not just to set Financial Goals, but to make your Financial Goals S.M.A.R.T. Financial goals need to be Specific, Measurable, Achievable, Realistic and Time Bound. This is the first and most important step towards good financial planning.
They are destinations we want to get to in the future. Without goals we cannot develop financial plans.

Examples: Meeting retirement needs, paying for children’s education, saving enough to get married, buying a home.

Financial plans are the routes and actions we take to get there.

Watch this movie to find out more about SMART financial goals.
The **S.M.A.R.T. financial goals** of Mr James Tan are shown below. Mr James Tan is born in 1977. He earns $40,000 annually. His spouse is born in the same year, and earns $30,000 annually. He has 2 daughters, aged 1 and 3.

<table>
<thead>
<tr>
<th>Financial Goal</th>
<th>Priority</th>
<th>Target Date</th>
<th>Timeline</th>
<th>Amount Required</th>
<th>Financial Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear HDB housing loan of $150,000 by age 55</td>
<td>Medium</td>
<td>31 Dec 2032</td>
<td>20 years</td>
<td>Monthly loan repayment of $810</td>
<td>Need to have at least $810 monthly CPF OA deposit</td>
</tr>
<tr>
<td>Education fund for 2 children</td>
<td>High</td>
<td>1 Jan 2028</td>
<td>16 years</td>
<td>$60,000</td>
<td>Save $3,750 a year = $312.50 per month = cut back on engaging personal trainer</td>
</tr>
<tr>
<td>Build retirement fund of $200,000 by age 65</td>
<td>High</td>
<td>31 Dec 2039</td>
<td>29 years</td>
<td>$300 a month</td>
<td>Put aside $75 a week = eat less at restaurants for family meals. Put the monthly savings into a 4% yield financial product</td>
</tr>
</tbody>
</table>

Note that this is a fictitious case study. Any resemblance to real persons, living or dead, is purely coincidental.
Be **Specific** and clear about what you are going to do and how you are going to do it.

**Example:**

<table>
<thead>
<tr>
<th>What You Are Going To Do</th>
<th>How You Are Going To Do It</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completely pay off your housing loan of $150,000 in 20 years.</td>
<td>Assuming with an income of $3,000, set aside about $810 for your monthly mortgage repayment scheme</td>
</tr>
</tbody>
</table>

Work out how much you need for each goal or need, and think about how you can reach that amount. When projecting future value, remember to take into consideration the current prices and projected inflation.

<table>
<thead>
<tr>
<th>Examples Of Goals</th>
<th>How You Can Reach Your Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buying a home/Buying Health and life insurance</td>
<td>Pay on a regular basis</td>
</tr>
<tr>
<td>Retirement savings</td>
<td>Save or invest</td>
</tr>
<tr>
<td>Children’s tertiary education</td>
<td>Combination of savings and loans</td>
</tr>
</tbody>
</table>
Goals must be **Measurable**, so that you can monitor your progress and take action if you find yourself falling behind.

**Example:**

<table>
<thead>
<tr>
<th>Monthly Income</th>
<th>$3,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renovation Debt</td>
<td>$15,000 with a loan interest of 5%</td>
</tr>
<tr>
<td>Plan To Repay Renovation Debt</td>
<td>Set aside 20% of monthly income, i.e. $600, to pay off the renovation debt on a monthly basis</td>
</tr>
<tr>
<td>Measurable Outcome</td>
<td>Completely pay off renovation debt in 2 years 3 months.</td>
</tr>
</tbody>
</table>

From the above example, we learn how 20% of your monthly income can pay down a certain amount of debt on a monthly basis.

However, if you are unable to set aside 20% of your income each month, you may want to look for other ways to meet your goal. One way to do this is to cut back on your expenses so that you have more money to pay down your debt.
Goals must be **Attainable and Realistic**, even if they require some discipline to stick to the plan.

Devise a plan or a way of achieving your goal which makes it realistic. This goal needs to be realistic and achievable for you, based on your current economic situation.

An example of a non-realistic goal is to become a millionaire in 1 year or a billionaire in 10 years, given an annual income of $40,000 only.
Goals must have a **Time frame**.

Set a timeframe for your goal, e.g. by next week, within a year, or in 10 years’ time.

Putting an end point on your goal gives you a clear target to work towards. If you do not set a time to your goal, your commitment to achieve that goal will be weakened. This leads to procrastination as there is a lack of urgency to work on it promptly.

Use the widget on the following page to formulate your own S.M.A.R.T. financial goals.
Write down one financial goal that you have. Be as specific as possible.

Financial Goal

To build an education fund for 2 children.

Next
Summary:
• It is important to set financial goals so that we can make effective financial plans.
• Financial goals need to be S.M.A.R.T.
  ✓ Specific
  ✓ Measurable
  ✓ Attainable
  ✓ Realistic
  ✓ Time bound
• By setting S.M.A.R.T. financial goals and by being disciplined in keeping to our action plans, we are more likely to reach our financial goals.
Is Interest Your Friend Or Your Foe?

Learn about the effects of compounding interest. Interest can either work for you by increasing your savings or it can also work against you by increasing your debt. Let us learn to make interest our friend rather than our foe.
Watch this video to find out about compounding interest.
Effects Of Compounding Interest

Compound interest is defined as interest earning interest.

**Example:** Invest $100 at 4% p.a. compound interest

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount At The Start Of The Year</th>
<th>Interest Earned In The Year</th>
<th>Amount At The End Of The Year (Including Interest Earned)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$100.00</td>
<td>$4</td>
<td>$104</td>
</tr>
<tr>
<td>2</td>
<td>$104.00</td>
<td>$4.16</td>
<td>$108.16</td>
</tr>
<tr>
<td>3</td>
<td>$108.16</td>
<td>$4.33</td>
<td>$112.49</td>
</tr>
<tr>
<td>4</td>
<td>$112.49</td>
<td>$4.50</td>
<td>$116.99</td>
</tr>
</tbody>
</table>

It is a good idea to save or invest your money in financial institutions that can bring you compounding interest returns over the years. Use compounding interest to grow your savings.
Illustration Of The Effects Of Compounding Interest

Projected value of $100 per month savings, at various growth rates

<table>
<thead>
<tr>
<th>Year</th>
<th>1%</th>
<th>2%</th>
<th>3%</th>
<th>4%</th>
<th>5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>$6,155.03</td>
<td>$6,315.24</td>
<td>$6,480.83</td>
<td>$6,652.00</td>
<td>$6,828.94</td>
</tr>
<tr>
<td>10</td>
<td>$12,625.50</td>
<td>$13,294.09</td>
<td>$14,009.08</td>
<td>$14,774.06</td>
<td>$15,592.93</td>
</tr>
<tr>
<td>15</td>
<td>$19,427.58</td>
<td>$21,006.26</td>
<td>$22,754.01</td>
<td>$24,691.08</td>
<td>$26,840.26</td>
</tr>
</tbody>
</table>

It is important to have **regular savings** in order to compound your savings.

Use the widget on the following page to calculate your returns using the financial calculators.
Use the Savings Calculator to find out how much your monthly savings will add up to.
Summary:

• It is important to save money regularly.
• Preferably, we should invest in reliable financial instruments that can provide us with good interest returns.
• **Compounding interest** is defined as interest which earns interest.
• If we **save money consistently**, interest can work for us and compound our savings.
• On the other hand, if we owe money, compounding interest will work against us to increase the amount of debt that we have.
• Let’s make interest our friend instead of our foe.
An essential step towards achieving your financial goals is to be able to track all your spending. This is because anything that can be measured can be improved. How can you make improvements today?
In this video, we consider the importance of tracking your spending. We will also look at the concept of Paying Yourself First.

**WHERE DID YOUR MONEY GO?**

If you do not track, you will never know for sure!

- What did you buy?
- Which were needs vs wants?
- What are your spending habits like? Just see-and-buy?
Where Did Your Money Go?

The first essential step towards achieving your financial goals is to develop a budgeting system. This is because anything that can be measured can be improved.

A budget is a plan for how we will allocate our financial resources.

Setting up a budget is a good way to start taking control of your financial situation because it helps you to:

• Live within your financial means, and meet expenses.
• Track spending, in order to meet both your long-term and short-term goals.
• Control your money, so that it does not end up controlling you.
A Simple Tool For Tracking Your Spending

If you do not know where your money goes each month, here is one simple but effective method to help you get started on tracking your monthly spending:

1. Get a small notebook and make three columns that reflect how you spend your money, titled **Cash**, **Cheque**, and **Credit Card**.

2. Carry your notebook with you everywhere you go.
3. Each time you make a purchase, write down what you spent on and how much you spent. Do this as soon as possible after you have paid for something, and whether you made the purchase by **Cash**, **Cheque**, and **Credit Card**.

Some sample data is shown in the following table:

<table>
<thead>
<tr>
<th>DATE</th>
<th>ITEM/SERVICE BOUGHT</th>
<th>CASH</th>
<th>CHEQUE</th>
<th>CREDIT CARD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/7/2013</td>
<td>Breakfast</td>
<td>$3.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/7/2013</td>
<td>Lunch</td>
<td>$5.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/7/2013</td>
<td>Coffee</td>
<td></td>
<td>$6.50</td>
<td></td>
</tr>
<tr>
<td>1/7/2013</td>
<td>Tuition fees for son</td>
<td></td>
<td>$400</td>
<td></td>
</tr>
</tbody>
</table>

Use the widget on the following page to track your expenses and email them to yourself.
INTERACTIVE 3.1 TRACK YOUR EXPENSES

Use this widget to track your expenses. You can email the expense records to yourself.

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Make it a habit to write down your expenses. Fill in the date, details of purchase, cost and method of payment.

Date of Expense (dd/mm/yyyy)

Details
- Cafe Latte

Cost
- 3.50

Method of Payment (cash, credit card or cheque)
- cash

Email

Use this widget to track your expenses. You can email the expense records to yourself.
Summary:

• We need to have a way to constantly track our spending.

• Tracking our spending can be done with a simple notebook in which we can track the following:
  ✓ Date of Purchase
  ✓ Details of Item/Service bought
  ✓ Cost
  ✓ Method of Payment (Cash, Cheque or Credit Card)

• By tracking our spending, we are more aware of where our money goes and can make improvements to our spending habits.
This chapter explains about the process of budgeting and developing a good spending plan. A spending plan should be done on a monthly basis. The idea is to analyze and optimize your resources.
Watch this video to find out about how to develop a budget.
It is important to track your monthly expenses.

List down all your targeted and planned expenses. At the end of the month, you will be able to analyze your spending pattern and to make improvements.

### MONTHLY EXPENSES USING CASH (Priorities: 1 - needs  2 - wants)

<table>
<thead>
<tr>
<th></th>
<th>Actual expenses ($)</th>
<th>Targeted expenses ($)</th>
<th>Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings (PYF)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgage repayments (cash) / Rental payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conservancy and property taxes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Children's education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allowances for parents and children</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maid</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Car loan repayments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor insurance and road tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Car park fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petrol and maintenance expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public transport</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Utilities and household maintenance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities bills</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home telephone</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mobile phone</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cable TV &amp; Internet</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Food and necessities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Groceries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eating out</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothings and personal maintenance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health and medical</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Miscellaneous</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tour and family outings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entertainment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hobbies and sports</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Net Cash Flow = Total Income - Total Expenses
Signs That You May Be Overspending

- Using your savings to pay your current bills each month.
- Delaying payment of your bills.
- A decrease in your monthly savings when there is no reduction to your income.
- An increase in your expenses when there is no increment to your income.
- Your monthly loan repayment is more than your monthly income.
Assessing Your Expenses

In a typical month, how much do you spend on eating out?
It is possible to further evaluate your eating out expenses by categorizing the eating out expenses as shown below:

<table>
<thead>
<tr>
<th>Monthly Expense</th>
<th>Targeted Amount</th>
<th>Actual Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restaurants</td>
<td>$100</td>
<td>$120</td>
</tr>
<tr>
<td>Cafes</td>
<td>$30</td>
<td>$15</td>
</tr>
<tr>
<td>Pubs</td>
<td>$50</td>
<td>$30</td>
</tr>
<tr>
<td>Fast Food Restaurants</td>
<td>$20</td>
<td>$15</td>
</tr>
<tr>
<td>Hawker Centres</td>
<td>$300</td>
<td>$350</td>
</tr>
<tr>
<td>Food Courts</td>
<td>$100</td>
<td>$120</td>
</tr>
<tr>
<td>Canteens</td>
<td>$30</td>
<td>$30</td>
</tr>
<tr>
<td>Food Kiosks</td>
<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>Other Catering Services</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$630</strong></td>
<td><strong>$690</strong></td>
</tr>
</tbody>
</table>
Understanding And Interpreting Your Budget Table

Comparing the Targeted and Actual columns will give you an idea how far your actual expenditure has deviated from your planned one. This will give you a chance to assess how and where you can re-allocate your resources.

Use the widget on the following page to track your targeted and actual expenses.
Get Started With Budgeting. Key in an item description and its targeted and actual expense.

What is the item that you are budgeting?

Transport

Target Expense $

150

Actual Expense $

120

Well done! You have spent less than the budgeted amount. You have now saved $30

Use this widget to develop the habit of budgeting.
Summary:

• We need to **plan our monthly expenses**.
• After planning, we need to **track our spending**.
• We will then be able to compare between:
  ✓ **Target Expenses**
  ✓ **Actual Expenses**
• We will then be able to **analyze our spending patterns** and to make improvements.
• If our Actual Expenses are less than our Target Expenses, then we will have additional savings.
This chapter explains more about four different types of budgeting systems: Envelope System, Written Record System, Electronic System, 3 Bank Account System. No matter which system you use, remember to allocate your resources effectively.
Watch this video to find out about 4 different budgeting systems that you can use.
4 Ways to Budget

You can use one or more of the following ways to develop your budget:

1. **Envelope System** - Separate the money that you need for different expenses into different physical envelopes. Whenever you make a deposit or withdrawal, jot down the amount on the envelope.

2. **Written Record System** - Track all your expenses on paper. Plan your expenses each month and then compare your actual expenses with your planned expenses. This will help you to identify and make improvements in your spending patterns.

3. **Electronic System** - This is similar to the written record system except that all your transactions are made electronically using your mobile devices. There are many apps that can help you with this.
4. **Three Bank Account System** - This system involves opening three different bank accounts for the following purposes:

**Normal Savings Account** - Use this account for your day to day banking transactions.

**Emergency Savings Account** - Set aside 3 to 6 months of your monthly expenses in this bank account. Do not withdraw from this account unless it is an absolute necessity.

**Long Term Savings Account** - This account is used to build up your savings for your long term financial goals, such as saving for your retirement and your children’s education.

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Use the widget on the following page to plan a simple monthly budget for yourself.
Type in your monthly income and planned monthly savings.

Monthly Income

3000

Monthly Savings (Pay Yourself First)

500

Use this widget to develop the habit of budgeting.
Summary:
• There are many different budgeting systems that you can use.
• The main idea is to be able to effective redirect your expenses to important expenses whilst minimizing the non-essential ones.
• Before allocating money to your various expenses, make it a point to set aside your monthly savings first. This is a concept known as **Paying Yourself First**.
• It is also important to set aside 3 to 6 months of your monthly income as **Emergency Savings**. Do not withdraw from this account unless it is absolutely necessary.
Learn ways of stretching your dollar, particularly in the areas of healthcare, home needs and children’s education. Being a wise consumer will go a long way in helping you reach your financial goals.
How Do You Stretch Your Dollar?

- Adopt Energy Saving Tips
- Use Mobile Phones Wisely
- Engage Suitable Internet And Cable Services
Be A Wise Consumer

• Look for ways to reduce spending. Examples: Using a less costly phone plan, using coupons when you shop, eating out less.

• Search for the best buy. Is there a better and cheaper item elsewhere?

• **Plan ahead** to better handle unexpected expenses.

• Look for free items. Examples: borrowing books and CDs from public libraries instead of buying them. Exercising at public locations instead of expensive gyms.

• Consider used items instead of new items.

• Don’t pay for services that you can do yourself.

• Say no to impulse shopping.

• If you can, avoid using credit cards as buying on credit ties up future money.
Be Thrifty

<table>
<thead>
<tr>
<th>Weekly Expenses Converted To Savings</th>
<th>Estimated Weekly Savings</th>
<th>Estimated Savings After 30 Years*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Giving up a magazine over getting the entertainment news online in a week</td>
<td>$2.00</td>
<td>$3,120.00</td>
</tr>
<tr>
<td>Giving up designer coffee/latte and choosing normal coffee in a day</td>
<td>$28.00</td>
<td>$43,680.00</td>
</tr>
<tr>
<td>Choice of bus or MRT over taxi in a day</td>
<td>$122.00</td>
<td>$190,320.00</td>
</tr>
<tr>
<td>Choice of hawker centres over restaurants or cafés in a day</td>
<td>$189.00</td>
<td>$294,840.00</td>
</tr>
</tbody>
</table>

[*Estimated savings after 30 years = Estimated weekly savings x 52 weeks x 30 years*]

Use the widget on the following page to see how much you can save by economizing a little.
Think of a weekly expense that you can cut down on. See how much the savings can add up to in 30 years time!

Weekly Expense

Giving up designer coffee and choosing normal coffee in a day

Estimated Weekly Savings in $

28

Estimated Savings after 30 years = $43680

Use this widget to estimate how much you can save by cutting down on weekly expenses.
Summary:

• An important part of good money management is to be a **wise consumer**.

• Look for ways to **save money**. Even a bit of savings each day adds up in the long run.

• There are many low cost or even free alternatives available if you make the effort to look around.

• Cultivate the habit of being **thrifty**.

• Reduce all unnecessary expenses which being little or no benefit to yourself.
Find out more about the real cost of instalment plans. Very often, paying for goods by instalment is more expensive than paying for goods upfront. Learn to differentiate between needs and wants.
Watch this movie to find out more about the real cost of instalment purchase plans.
Needs Versus Wants

What Is A Want?

A **want** is something you desire or wish for, and tends to be more expensive.

What Is A Need?

A **need** is a good or service you require in life, also known as a necessity item.

The table below has some sample needs and wants. See if you can come up with more.

<table>
<thead>
<tr>
<th>NEEDS</th>
<th>WANTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Food and Drink</td>
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To Buy Or Not To Buy?

While Wisely was filling in the family budget template…

Yuppy:    Pa, can you give me some money? I want to buy a watch!

Wisely:   But you already have a watch!

Yuppy:    Mine does not have full smart watch functions. All my friends have it! Come on, Pa…

Ah Gong:  My dear grandson, you must differentiate between “Needs” and “Wants”. To own a watch may be a “Need”, but to have a top-end model is a “Want”. And most “Wants” are usually not necessary.

Our decision to spend money is usually motivated by “needs” and “wants”. **Needs** are related to the essentials in life, something you cannot “live without”. **Wants** are usually things that we desire, such as luxury items. More often than not, our “wants” are not absolutely necessary.
In future, before you spend on anything, ask yourself the following questions to determine whether it is a “want” or “need”:

1. What is my reason for spending on this item? Do I really need it?
2. How would things be different if I had it? What will happen if I do not have it?
3. Do I need to spend more if I have it? Are there cheaper alternatives?

Use the widget on the following page to help yourself reason if something is a need or a want.
Interactive 7.1 Want or Need?

Write down one expensive item that you wish to buy and the price of that item.

Item Description and Price

Luxury Sports Car - $200,000

Use this widget to help yourself determine if that expensive item you wish to buy is really a want or a need.
DEBT MANAGEMENT

Why manage debt?

- A good credit repayment history = good credit worthiness, making it easier for you to obtain credit and qualify for loans

- Reduce the impact of emotional, relational and financial stress

- Prevent bankruptcy

If possible, try to avoid debt as it drains resources and makes it harder to save for the future.

Watch this video to find out more about debt management.
Summary:

• It is often more expensive to purchase an item using instalment purchase plans rather than to pay upfront.

• This is due to interest charges on instalment purchase plans.

• Before making large purchases, consider if the items are needs or wants.
  
  ✓ **Needs** are related to the essentials of life.
  
  ✓ **Wants** are usually things that we desire that are not necessary.

• Pause before spending on expensive items are consider the alternatives first.
Good money management is a useful skill that can be learnt. Much of good money management lies in the cultivation of good financial habits and the elimination of bad ones.

As Warren Buffett once said, “Chains of habit are too light to be felt until they are too heavy to be broken”.
In this video, we briefly summarize the learning points of this E-Book.
Conclusion

In this E-Book, we have looked at:

• the importance of setting S.M.A.R.T. financial goals.
• the power of compounding interest.
• the importance of tracking your spending.
• the importance of creating a budget and sticking with your budget.
• ways and means of stretching your dollar.
• how to be a wise consumer.

We hope that this E-Book will be able to help you better manage your money and to be a wiser consumer.

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