



Personal Financial Management

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Outline

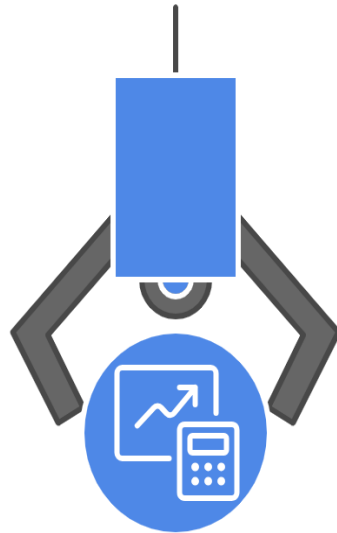
- Income and Expenses
- Budgeting
- Savings and Investing
- Credit Management

Course Outcome



Income Management

Personal and
business records
management



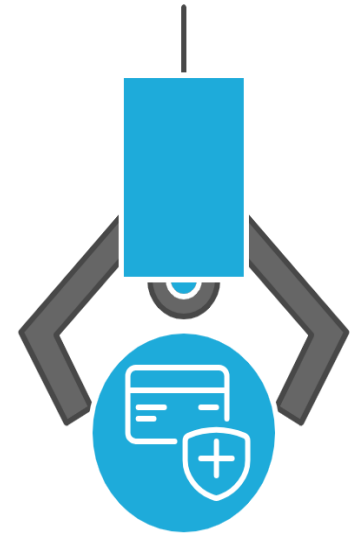
Budget Creation

Developing a budget
plan



Money Growth

Savings and
investment
strategies



Credit Management

Managing credit
effectively

1.0 Income and Expenses

- Understanding income and expenses is the foundation of financial planning. Managing these effectively helps ensure financial stability and business growth.



What is Income?

- Income refers to money earned from various sources. It can come from employment, business operations, or investments.
- Earned Income: Salaries, wages, bonuses, and commissions.
- Passive Income: Rental income, dividends, interest from savings.
- Business Income: Profits from business activities.



Sources of Income



Income can be generated from multiple sources:



Employment: Regular salaries and wages.



Investments: Stocks, bonds, dividends.



Business Operations: Profits from selling goods or services.

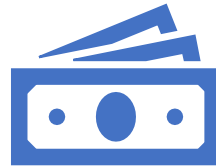


Gig Economy & Side Hustles: Freelancing, consulting, online businesses.

Gross and Net Income



Gross Income: Total earnings before any deductions (taxes, insurance, business expenses).



Net Income: Money left after deducting taxes, operating costs, and other liabilities.



Tracking income is crucial for financial decision-making and tax compliance.

Expenses



Expenses are the costs incurred to run a business or maintain a household:



Fixed Expenses: Rent, salaries, loan repayments, insurance.



Variable Expenses: Utility bills, marketing, inventory purchases.



Discretionary Expenses: Entertainment, travel, luxury items.

Recording and Tracking Expenses



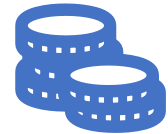
Maintaining accurate financial records helps monitor business health and optimize spending:



Use of Receipts & Invoices:
Maintain records of purchases and sales.



Expense Tracking Tools:
Spreadsheets, accounting software, mobile apps.



Reviewing Spending Patterns:
Identify areas for cost reduction.

Taxation



Understanding tax obligations is essential for business and personal compliance:



Income Tax: Levied on personal earnings and business profits.



Sales Tax (VAT): Applied to goods and services sold.



Property Tax: Charged on real estate holdings.



Tax Deductions & Benefits:
Claiming eligible business expenses reduces taxable income.

2.0 Budgeting

- A budget helps in managing financial resources efficiently, ensuring sustainability, financial health and business growth.



Some Key issues in Budgeting

- **Income:** Total earnings or revenue.
- **Expenses:** Breakdown of costs, including fixed and variable expenses.
- **Savings:** Amount set aside for future needs or emergencies.
- **Investments:** Funds allocated for growth or income generation.
- **Discretionary Spending:** Non-essential expenses for entertainment, dining out, etc.
- **Insurance:** Premiums for health, life, property, etc.
- **Taxes:** Estimated tax payments.
- **Emergency Fund:** Reserve for unexpected expenses.

What is a Budget?

- Definition: A financial plan that outlines projected income and expenses.
- Purpose: Helps allocate resources, control spending, and plan for the future.
- Impact: A well-structured budget ensures businesses or households to meet financial obligations and make informed investment or financial decisions.

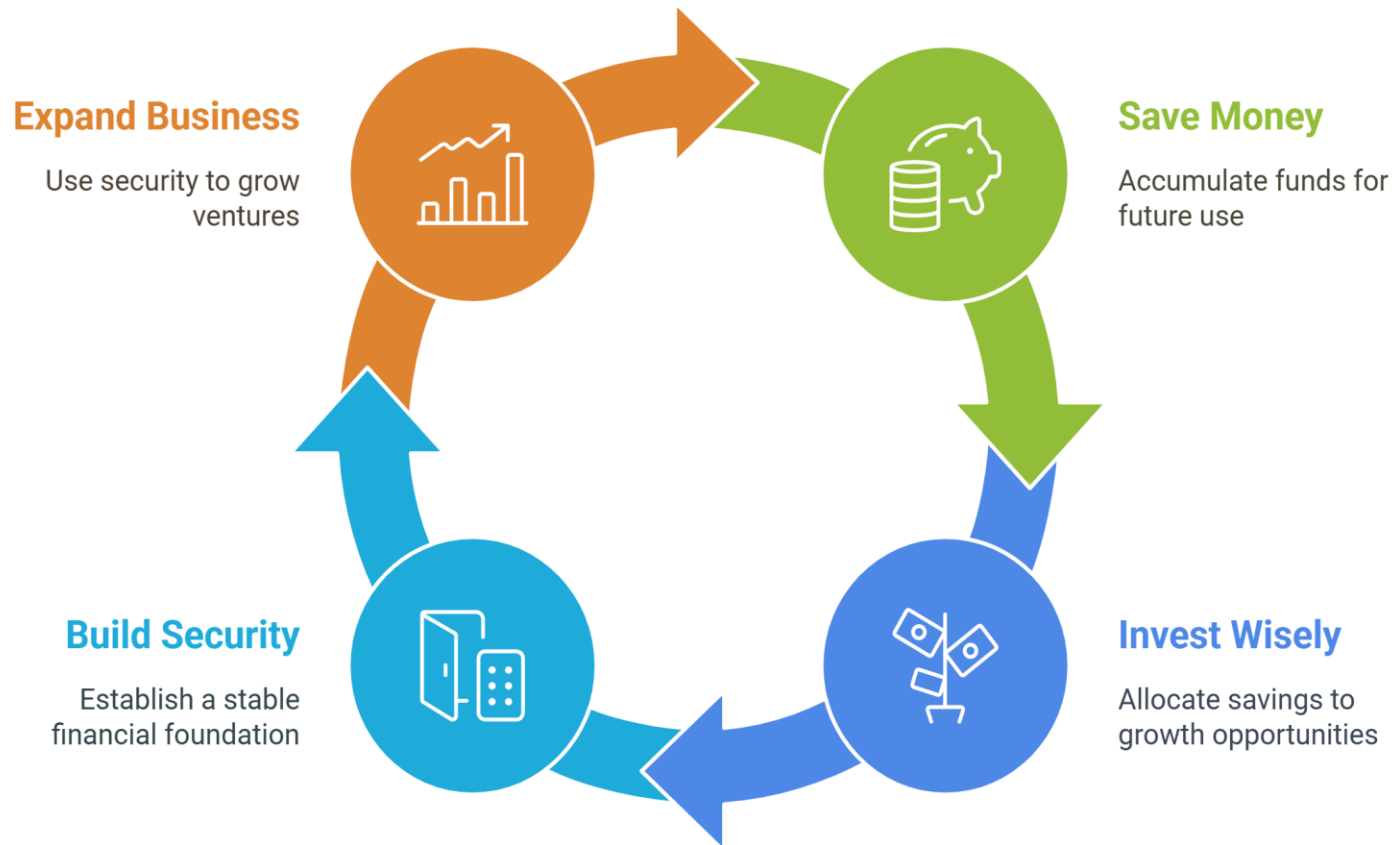


Creating a Business Budget

- Steps to develop an effective business budget:
 - Estimate Revenue: Predict monthly or yearly earnings.
 - Identify Expenses: Categorize and track costs.
 - Set Financial Goals: Allocate savings and reinvestment funds.
 - Monitor and Adjust: Regularly update the budget based on performance.



3.0 Saving and Investing



Strategy for Saving

1

Specific Goals

Set clear savings targets with deadlines.

2

Budget for Savings

Allocate a portion of income specifically for savings.

3

Pay Yourself First

Prioritize savings before other expenses.

4

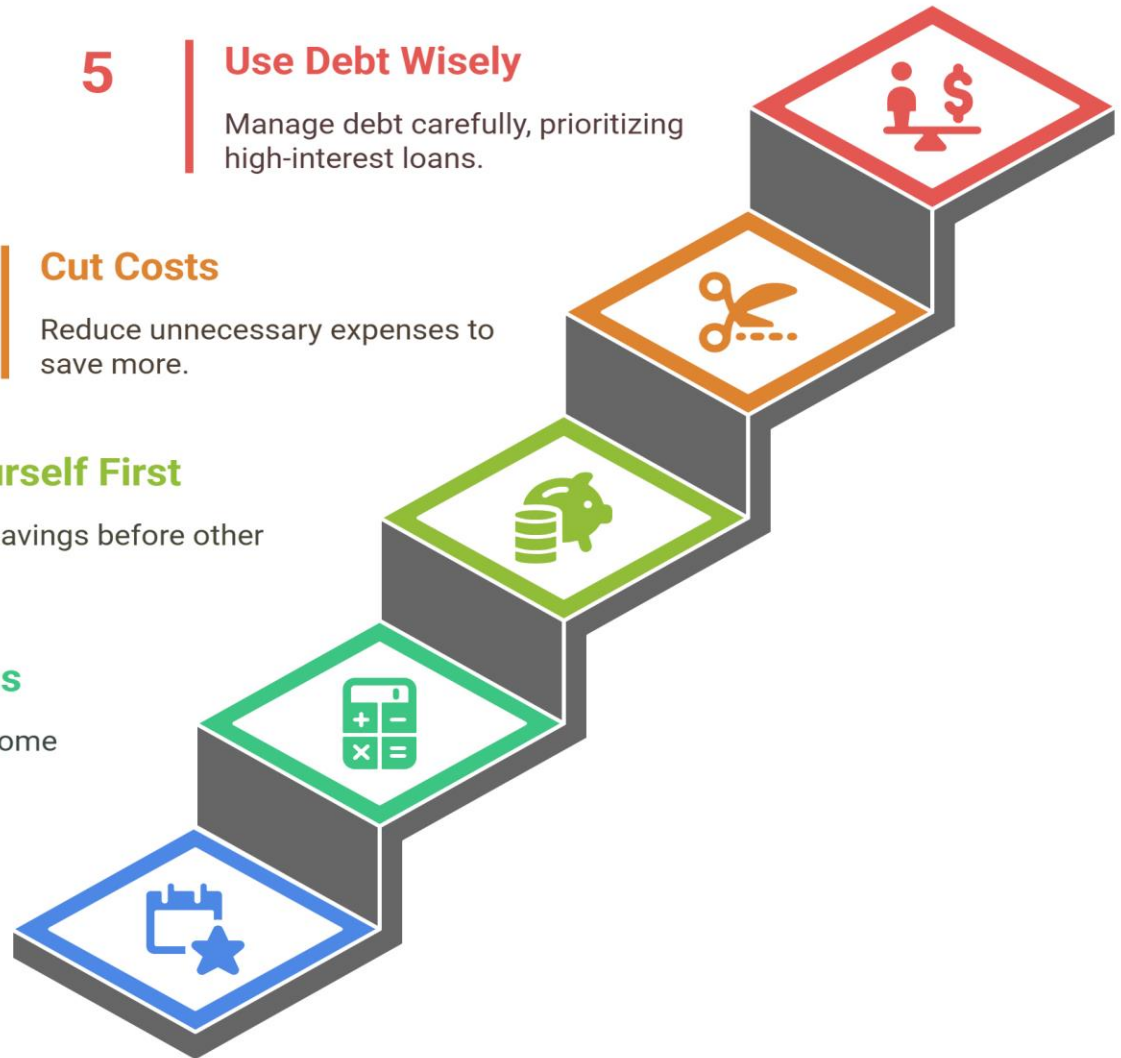
Cut Costs

Reduce unnecessary expenses to save more.

5

Use Debt Wisely

Manage debt carefully, prioritizing high-interest loans.



Investment Strategies



Investing grows wealth over time with varying levels of risk:



Low-Risk Investments:
Fixed deposits,
government bonds.



Medium-Risk
Investments: Mutual
funds, dividend stocks.



High-Risk Investments:
Equity markets, real
estate, startups.



Diversification:
Spreading investments
reduces financial risk.

Ways to Invest

Rainy Day Fund

Highly liquid with low risk, ideal for emergency funds.



Real Estate and Business

Involves medium risk with low liquidity due to potential business failures.



Treasury Bills and Savings Bonds

Low risk and low liquidity, guaranteed by the government.



High-Yield Savings Accounts

Offers high liquidity with medium risk due to compound interest.



Protecting Savings and Investments



Fraud Prevention: Avoid scams and pyramid schemes.



Cybersecurity: Use secure banking platforms and strong passwords.



Insurance: Protect assets against financial loss.

Protecting your Money



Do your homework- do not invest or save before researching carefully. Good investment takes time and is seldom free of risk.



Keep your bank ATM cards, chequebooks and business financial reports in a safe place.



Choose unique ATM and online banking passwords and do not share them. Change passwords regularly.



When online, do not click on that, say you have won or inherited money.



Scammers use social media because of the amount of personal information people share. Keep personal information private.



Separate business and personal social media addresses but be aware what you post on both is linked.



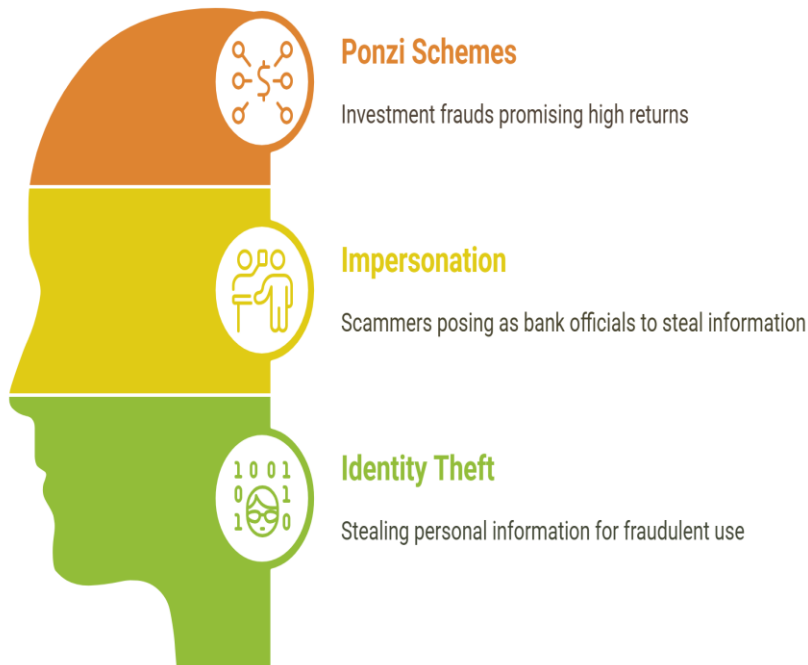
If you answer a call from someone you do not know and they ask for your name, hang up immediately.



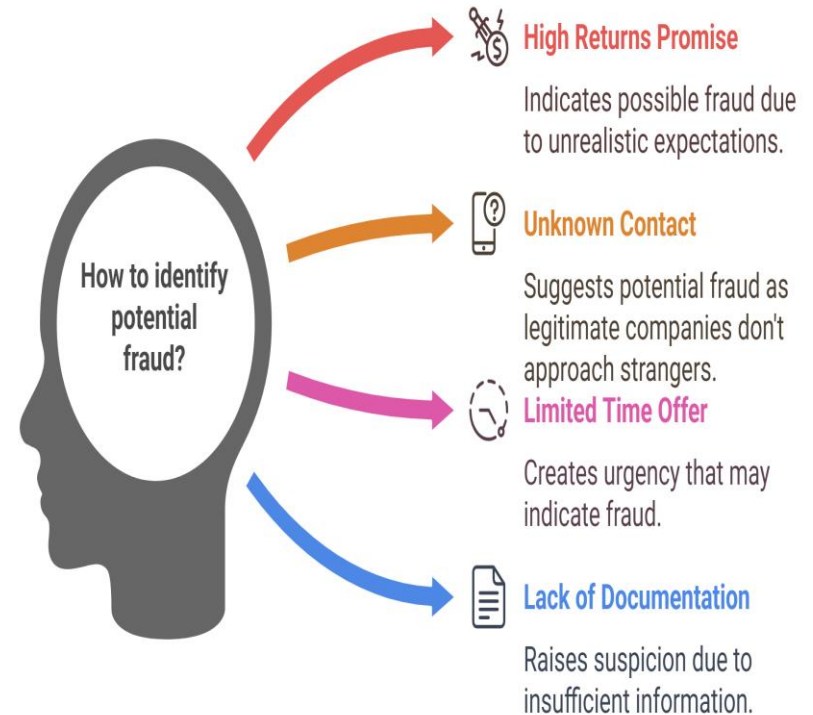
Check your account activity often.

Keeping your Saving and Investment Safe

Common Risks



Red Flags of Frauds



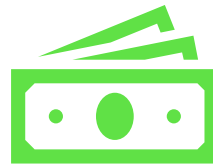
4.0 Credit Management

Using credit responsibly can boost business operations and personal financial health.

What is Credit?



Definition: Borrowed money to be repaid with interest.



Purpose: Helps in funding business expansion and managing cash flow.



Types: Short-term (credit lines, microloans) and long-term (mortgages, business loans).

Sources of Credit



Banks & Financial Institutions

Provide structured loan options for various needs.



Microfinance & SACCOs

Offer accessible credit to small businesses and individuals.



Government Grants & Loans

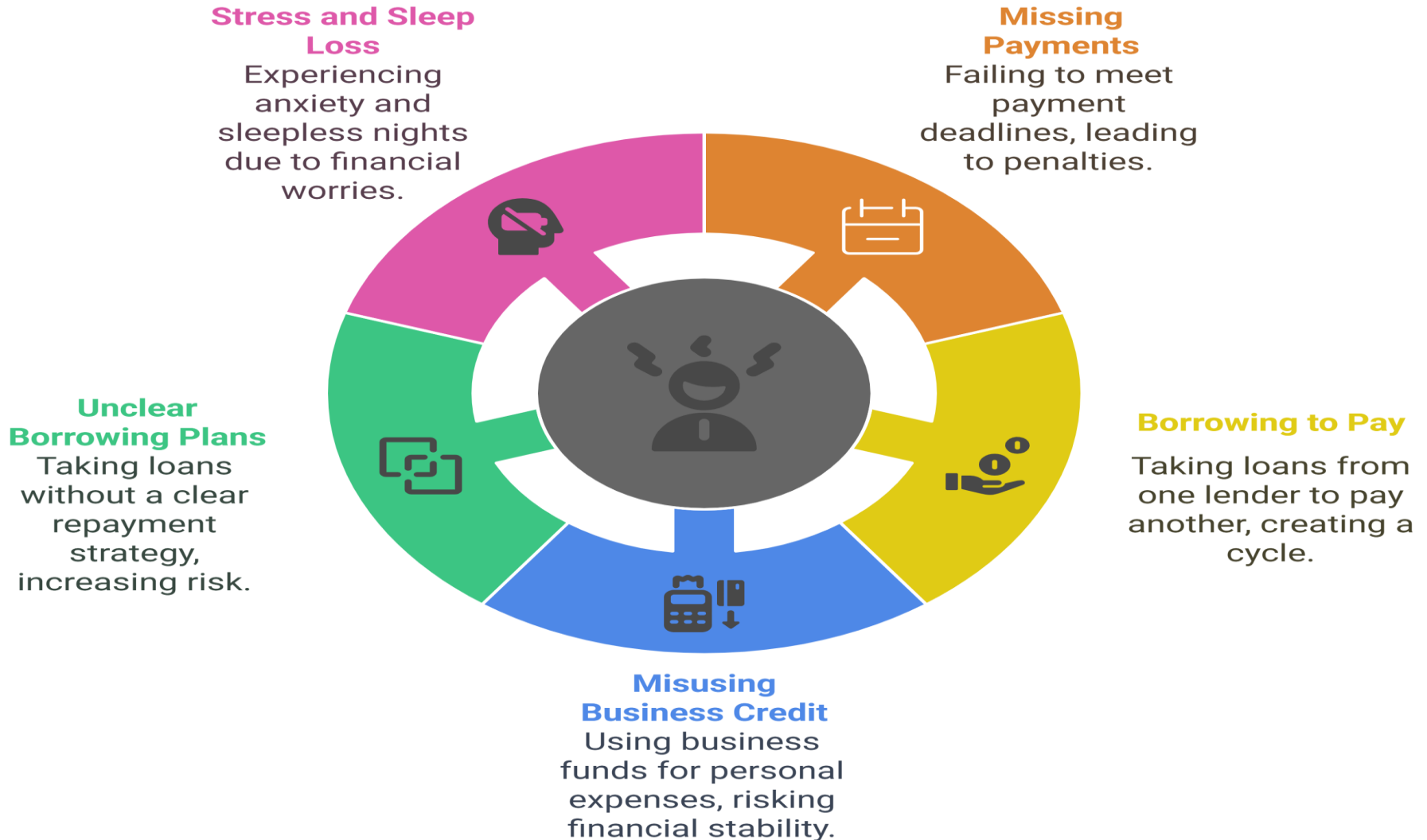
Special programs aimed at supporting entrepreneurs.



Instant Loan Apps

Provide quick access to funds, often at high interest.

Debt Danger Signals



Borrowing Wisely

Assessing Debt Levels

Managing and prioritizing debt repayment



Understanding Financial Needs

Identifying purpose, amount, and timeline for loans



Researching Loan Options

Evaluating credit sources and their terms



Debt Management Strategies



Borrow only what is needed to avoid over-indebtedness.



Ensure a repayment plan that fits within income.



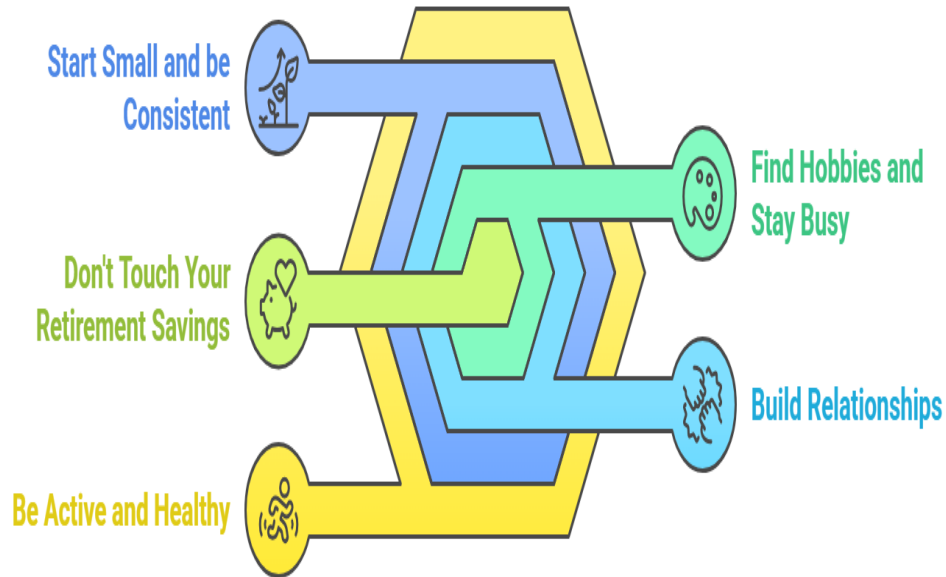
Prioritize high-interest debt to reduce financial burden.



Avoid borrowing for discretionary spending.

Retirement planning

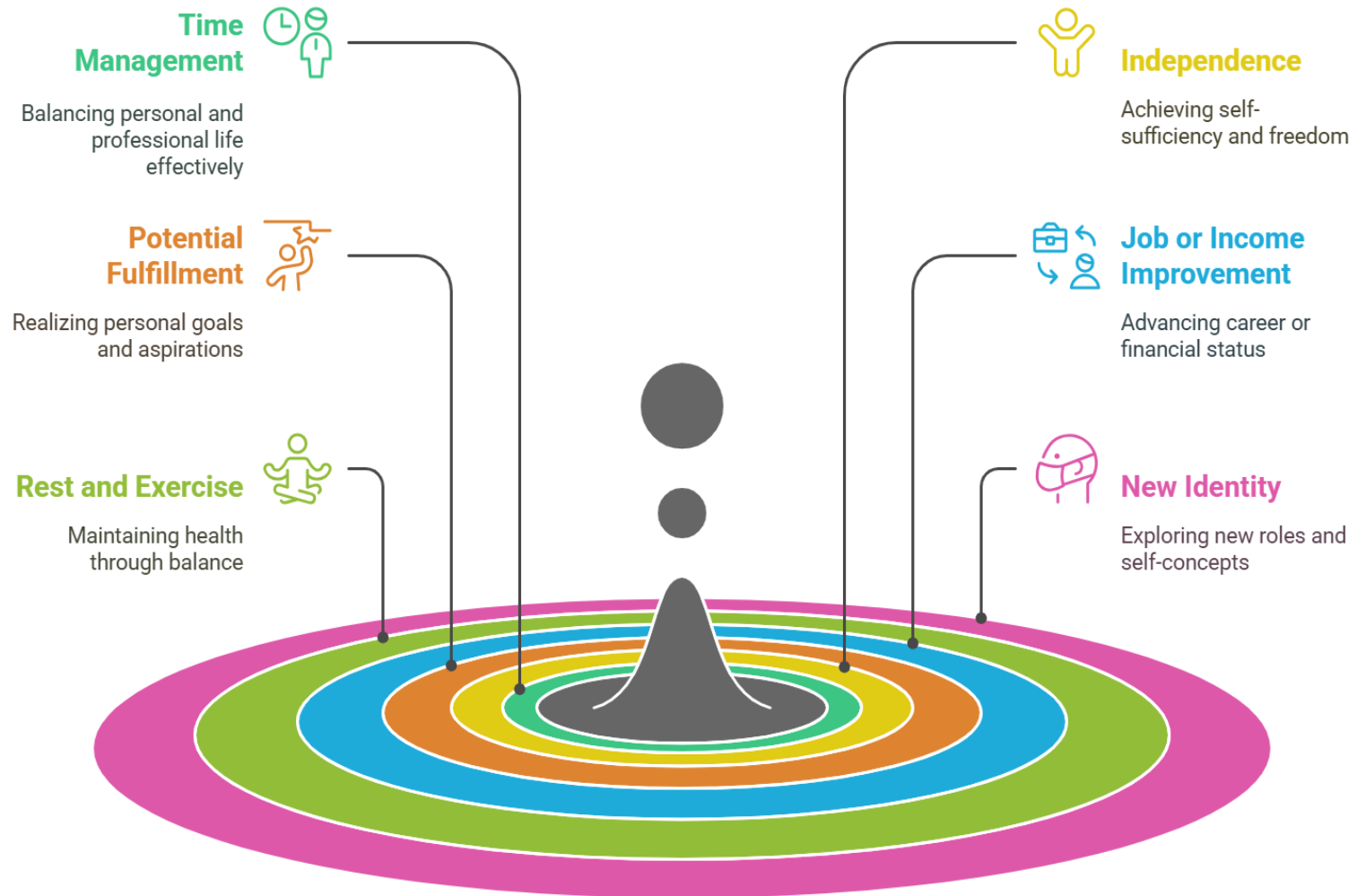
What Next?



Problems Facing Retirees



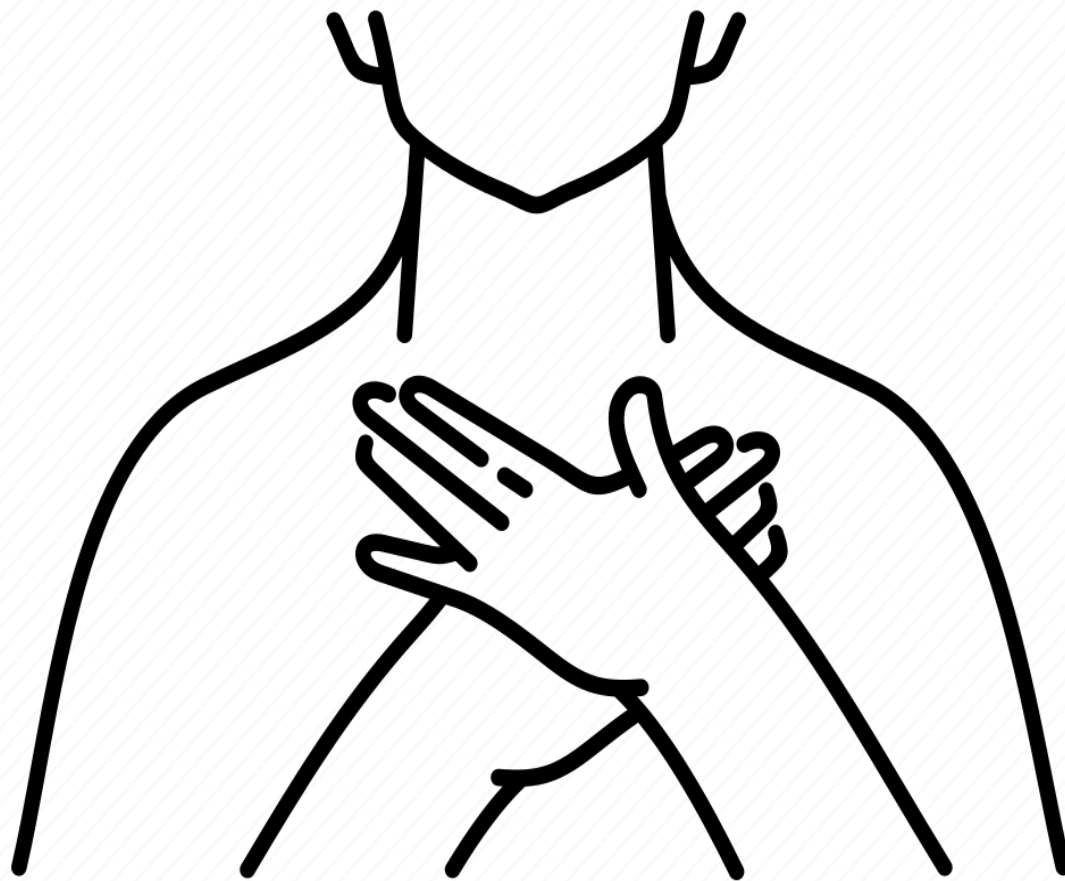
Opportunities in retirement



Key Takeaways

- Financial literacy is key to personal and business success.
- Effective budgeting and saving ensure financial security.
- Managing credit wisely prevents financial difficulties.
- A strong personal plan increases chances of financial health and growth.





THANK YOU