



# Mastering Your Personal Finance for Long Term Security

5/27/2024

- Part 1: The Long Term Perspective
  - Preparing for the “after engagement”
  - (The WHY?)
- Part 2: What to Master for the Long Term Financial Stability (THE HOW)

# The Big Question

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- When is the best time to plant a tree?
- When is the next best time to plant a tree?
- When was the best time to take action on. Your pension?

# Long Term Security – Retirement (THE WHY)

1. **FACT:** We will ALL need income after retirement or face Old Age poverty
2. **FACT:** Social Structures have collapsed; many people are faced with inadequate retirement resources,
3. **FACT:** Children may remain dependent on parents for longer.
4. **FACT:** Rising medical costs in old age
5. **FACT:** Given another chance, retirees wish they had saved more;
6. **THE THREAT OF OLD AGE POVERTY IS REAL**
7. **YOU WILL SURELY GET THE RETIREMENT YOU PLANNED FOR**



# Pillars to successful Retirement



Housing



Medical insurance cover



Income adequacy –



Social capital/ Family



Fulfilment



Purpose/ Fulfilment

## Managing/Planning for Retirement

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### **Start early. Save more for your retirement**

- a man retiring at 55 now can expect to live to 75
- a woman retiring at 55 can expect to live to 78

**....that's over 20 years in retirement !**

“Sadly, retirement planning, in many circumstances,  
has become nothing more than planned  
procrastination.”  
— Richie Norton

# Preparing for Retirement

## 1. Picture Your Retirement

- When do you want to retire?
- How do you want to retire? Start with part-time work? Stop all work?
- Where do you want to retire?
- What are your retirement goals? Travel the world?

**2. Prepare A Retirement Budget-** This starts with answering the question: “How much money will I need in retirement?” **Global standards recommend a 75% replacement of income in retirement**

**3. Eliminate Debt-** Plan to retire with zero (or very little) debt. Becoming debt-free means you have one less thing to worry about in retirement.

## Preparing for Retirement (2)

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4. **Review Your Investment Portfolio-** Review the assets you have in your investment accounts. Your risk tolerance at age 30 is going to be different from your risk tolerance at age 65.
5. **Think About Government Benefits-** Income from government benefits makes up a significant portion of total income for a majority of seniors. It is important you plan how best to utilize these benefits.
6. **Think Workplace Pensions-** Increase pension contributions at work
7. **Think About Taxes-** Consider how you can lower your taxable income in retirement. The less taxes you have to pay, the more money you can spend on catching fun!
8. **Develop An Estate Plan-** Have you made a will? Does it need updating? Prepare a will that clearly states how you want your estate to be dispersed after you die. This will save your family a lot of stress and ensure that your wishes are respected.



## Preparing for Retirement (3)

### 8. Think About Housing- Where do you plan to live?

- Do you plan to continue living in your current residence in retirement?
- Are you downsizing and buying a smaller home or renting?
- Do you plan to get a reverse mortgage?
- What are the costs of a retirement home or in-home assistance?

### 9. Examine Your Insurance- Review your insurance to ensure you are adequately covered. Old age comes with its own peculiar needs and you should consider:

- Life Insurance
- Medical Insurance
- Long-term care insurance
- Private travel medical insurance



## Retirement Changes Expected

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- Loss of job title/ belonging
- Loss of benefits (work)
- Loss of regular income
- Reduced earnings
- Loss of companionship
- Lack of adequate medical cover
- Aging
- Changed environment
- Changed social status

## Tips For Handling The Transition

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1. **Accept the change/retirement**
2. **Maintain a positive attitude**
3. **Recognize that change is constant.**
4. **Be optimistic even though you might not be currently happy.**
5. **Self-reflect.**
6. **Talk to others who are supportive and uplifting**
7. **Count your blessings**

## How to Transition Successfully

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1. **Stay active.** Do things to keep both mind and body active.
2. **Strengthen social and family ties.** Visit your kids or offer to babysit your grandkids. Make time to participate in activities with friends. Visit your local community center and seek out activities that you enjoy so you can make new friends.
3. **Find a new sense of purpose.** Maybe you can do volunteer work related to your former career?
4. **Fulfill your dreams.** Maybe you've always wanted to learn to play a musical instrument or perhaps to travel? Now is the perfect time.
5. **Develop a schedule.** Set up a schedule for yourself, creating set times when you will do work around the house, exercise or do volunteer work.

1. Engaging into a business/activity that have never been done before
2. Taking early withdrawals from retirement funds
3. Not adjusting expenses to the new budget in retirement
4. Carrying Debt into Retirement
5. Thinking it's Too Early to start planning
6. Ignoring Healthcare Expenses
7. Giving Up Hope Because You Started Late

## Being Financially Secure during Retirement

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1. Have a budget-Realistic estimate of retirement expenses
2. No mortgage payment
3. Debt retired
4. Increased health care insurance and costs
5. Increased recreation/travel
6. Lower clothing/business related costs
7. Don't have costs to go to work
8. Meals away from home?
9. Home energy costs may be higher

## Know how much more do you need?

- Savings
- Part-time work
- Convert assets to income
- How long will you live?
- If you reach age 65, men tend to live 16 more years, women 18 more years
- Some sources suggest planning to live to age 90





## Matching income to out-go

- Delay retirement
- Reduce your retirement expenses
  - ✓ Housing
  - ✓ Relocate to less expensive place
  - ✓ Work in Yellowstone/Estes Park rather than vacation there for a summer
- Tap into the equity of your home or farm





## Conclusion: Being Financially Secure during Retirement

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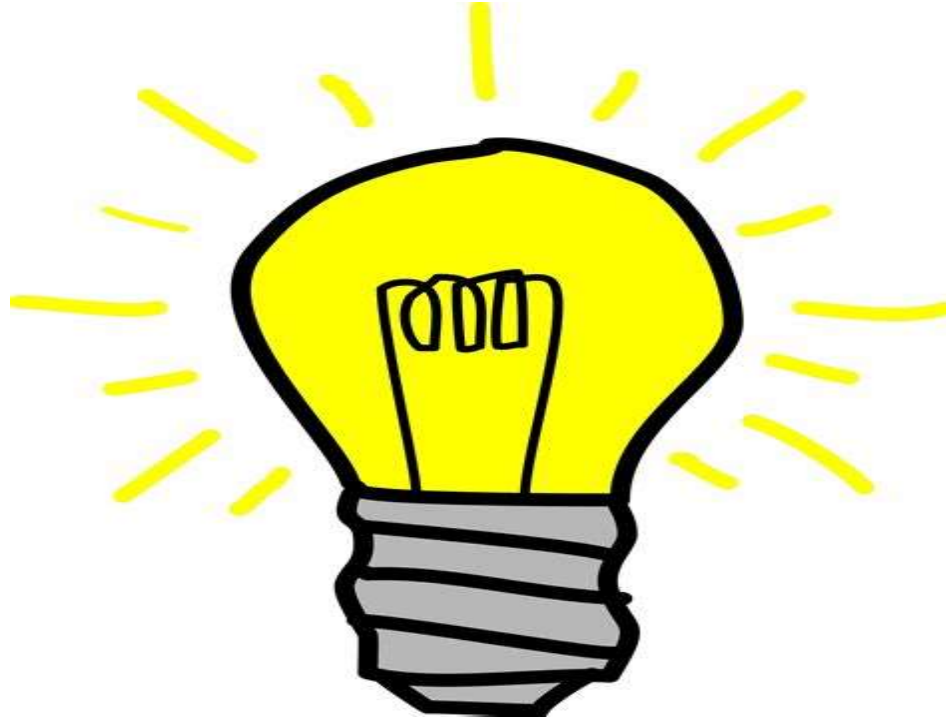
- Start planning and preparing early
- Save and invest wisely
- Explore career directions you can pursue later in life. Turn a hobby into an income?
- Don't retire from \_\_\_\_\_. Retire to \_\_\_\_\_. Mentally prepare yourself
- Carefully consider early retirement incentive plans. Do you have substantial savings and investments? Health insurance until Medicare kicks in.



True or false?

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- ***“You fail when you focus on what you want now, rather than what you want most.”***



## **PART 2: MASTERING YOUR PERSONAL FINANCE (THE HOW)**

- For some people, personal finance management is a passionate hobby, while for others it's a daunting chore. Either way, personal financial planning – including budgeting, tracking your spending, saving, and investment

# 1. Set financial goals

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- Setting financial goals helps you determine where you should be prioritizing your money every month.
- Financial goals might include paying off debt, saving for a vacation, or putting away money for a downpayment on a house, or emergency fund.
- Once you have your goals laid out, you can create a line item in your budget for those accounts to be sure you're consistently putting away money.

## Create a vision board

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- A vision board helps you to look at your goal and makes it easy to push yourself to keep working toward them!

## 2. Create a Spending Plan (Budget)

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- ✓ Make a list of your monthly income and expenses and create a budget for yourself based on your financial goals.
- ✓ Be realistic with your budget, and be sure to update throughout the month to make sure you're staying on track!
- ✓ Creating a monthly budget is essential, even for those who aren't struggling financially.
- ✓ Budgets (spending plans) tell you where Your money is going. How much do you spend on Fuel eating out etc.
- ✓ Helps you Save;
- ✓ Helps you contain waste.

## Is there a formula?

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A few Guidelines can help;

90/10 or 80/20 spending plan.

The 50/30/20 plan

- 50% of your budget should go toward non-discretionary spending like housing, utilities, transportation, and food
- 30% of your budget should go toward discretionary spending such as entertainment, vacations, and shopping
- 20% of your budget should toward savings or debt payments.
- Find out what works, but DO SOMETHING!



### 3. Pay yourself first

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We are so used to pay everybody first forgetting ourselves.



The reason being, we convince ourselves we do not have enough to save



The problem here is that there might be a lot of months where you aren't putting any money in savings at all.



Start budgeting the money you'll save and make that your first payment after you get paid.



Make it automatic.

## 4. Build an emergency fund

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- Where would you go for an emergency support should that call in?
- Building an Emergency fund may not be too exciting, but it is more important than just saving for a vacation.
- AN Emergency fund will be vital in a health situation or being laid off from a Job.
- The recommended emergency fund should have 3-6 months worth of expenses.
- The amount you'll need to save depends a lot on your lifestyle.

## 5. Track where Your money is going

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Money is very hard to make but very easy to loose



Regularly looking into yor spending is useful for a reality check.



Check and review your spending plan regularly.



You can tell a lot about yourself on your financial habits.

## 6. Start reading personal finance books

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- There is a lot of information of Personal Finance. The problem is the reading culture and ability to take risk.
- If you are ready about mastering your Personal Finance, The Reading is not an option.
- Our mindset out Money can be changed by reading.
- You can start by reading general personal finance books and graduate to those that address a particular topic, like investing

## 7. Use a meal plan

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- Food is one of the biggest monthly expenses for many families.
- Meal planning can help you save a lot of money on groceries, as well as cut down on wasting food. Meal planning can help you avoid those nights when you aren't sure what to make for dinner, so you resort to eating out.
- We take a bit of a hybrid meal-planning approach. First, we pick a meal or two that we're really in the mood for. And for the rest of the meals, we just a meat that's on sale and some side dishes that would pair well with it.

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## 8. Reduce variable expenses

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- Your monthly spending can be broken up into two categories: fixed expenses and variable expenses.
- Your fixed expenses are those that are the same every month, such as rent or mortgage, loan payments, insurance, and more. Your variable expenses are those that change month to month. Those expenses include food, shopping, and entertainment.
- Variable expenses are easier to reduce. Look at how much you're spending now on those expenses, and see where you might be able to make cuts. I remember being taken aback when I realized just how much I was spending on eating out, and it was an easy category to cut back on

## 9. Reduce your monthly payments

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- How many monthly payments are you making that could be lowered, or cut altogether?
- Consider which expenses you can completely cut. This might include cutting internet providers. I had two, just for backup, but I disabled it.
- Get a cheaper alternatives or cut monthly subscriptions or gym memberships you aren't really using.
- Once you've cut where you can, look at which expenses you can reduce. Are you **overinsuring** your vehicles?
- Making quite a few small changes can go a long way in your monthly budget.
- You could also make bigger changes to save even more. Eg What about moving into a more affordable house?

## 10. Get Out of Debt, and Avoid Debt

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- Many who realised were in Debt have actually come out of it.
- But a key tactic is focusing on avoiding debt. This means paying off your debts.
- Many people start with the account with the highest interest rate, others start with the smallest debt, however all agree that you must stash away the credit card to avoid accumulating more.
- Getting out of debt and managing debt will give you peace of mind and as you're chipping away with debt repayment, the stress will alleviate too.



## Diversify your income

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- I'm a firm believer in side hustles as a way to make extra money to put toward debt repayment and financial goals. Earning an extra income can help you reach your goals faster.
- Be a blogger, Writer, etc.

**WHY GO THROUGH ALL THESE?**

**SWEAT** THE ASSET (ME) TODAY, TO MAKE MONEY (ASSET)  
**SWEAT FOR ME TOMORROW**



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