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ENWEALTH FINANCIAL SERVICES LIMITED

Psychology of Money
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Is the study of how people think, feel, and behave around money — often irrationally. While finance is often taught as numbers and logic, real-world money decisions are driven more by **emotions, biases, experiences, and social influences**.

Here's a breakdown of key ideas from **money psychology**, inspired by research, behavioral economics, and works like *"The Psychology of Money"* by Morgan Housel:

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Morgan Housel's, ‘The Psychology of Money’ explores how emotion, behavior, and decision-making shape financial success. Key lessons include understanding luck, compounding, humility, controlling expenses, and avoiding lifestyle inflation. Patience and disciplined spending are essential.

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Money is Emotional, Not Logical

People don’t always make decisions based on math — they make decisions based on **fear, pride, ego, envy, trauma, or hope**.

You save out of **fear of poverty**

You overspend to **fit in**

You invest out of **FOMO (Fear of Missing Out)**

Your Money Story is Personal

- Your beliefs about money are shaped by:
- How you grew up (rich, poor, unstable)
- What you saw your parents do with money
- Cultural or religious narratives
- Personal experiences (e.g. a failed business, debt, windfall)

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Behavioral Attributes Affecting Personal Financial Planning

These are psychological or emotional traits that influence financial decision-making:

a. Self-Control

✓Ability to delay gratification.

✓High self-control → better savings habits, less impulse spending.

b. Risk Tolerance

✓Willingness to take financial risks.

✓High risk tolerance → more likely to invest in volatile assets.

✓Low risk tolerance → more conservative saving or investing.

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c. Financial Literacy

✓Understanding financial concepts (interest, inflation, investment).

✓Higher literacy → better decisions, improved long-term outcomes.

d. Emotional Spending

✓Spending based on mood (stress, happiness, boredom).

✓Often leads to overspending or unnecessary purchases.

e. Goal Orientation

✓Clarity about short- and long-term financial goals helps guide behavior.

✓People with defined goals often budget and save more effectively.

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f. Optimism Bias

✓Belief that "it will all work out" can lead to under-saving or ignoring risks.

g. Anchoring & Framing

✓Decisions influenced by how choices are presented (e.g., “only Kshs. 100”).

✓Can cause irrational spending or investment behavior.

h. Social Comparison

✓Spending driven by wanting to "keep up" with peers or societal norms.

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Relationship Between Behavior and Personal Financial Planning

✓**Good financial habits** often stem from strong behavioral traits like discipline, patience, and mindfulness.

Financial stress can be both a cause and a result of poor financial behaviors (like impulse spending or ignoring debt).

Behavioral finance is a growing field that explores how cognitive biases and emotions affect financial decisions.

Improving Personal Financial Planning via Behavioral Awareness

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a) Automate savings to remove emotional interference.

b) Use budgeting apps to increase awareness and accountability.

c) Set SMART financial goals (Specific, Measurable, Achievable, Relevant, Time-bound).

d) Educate yourself continuously on money management.

e) Practice mindful spending: pause before purchases, ask “do I need this?”

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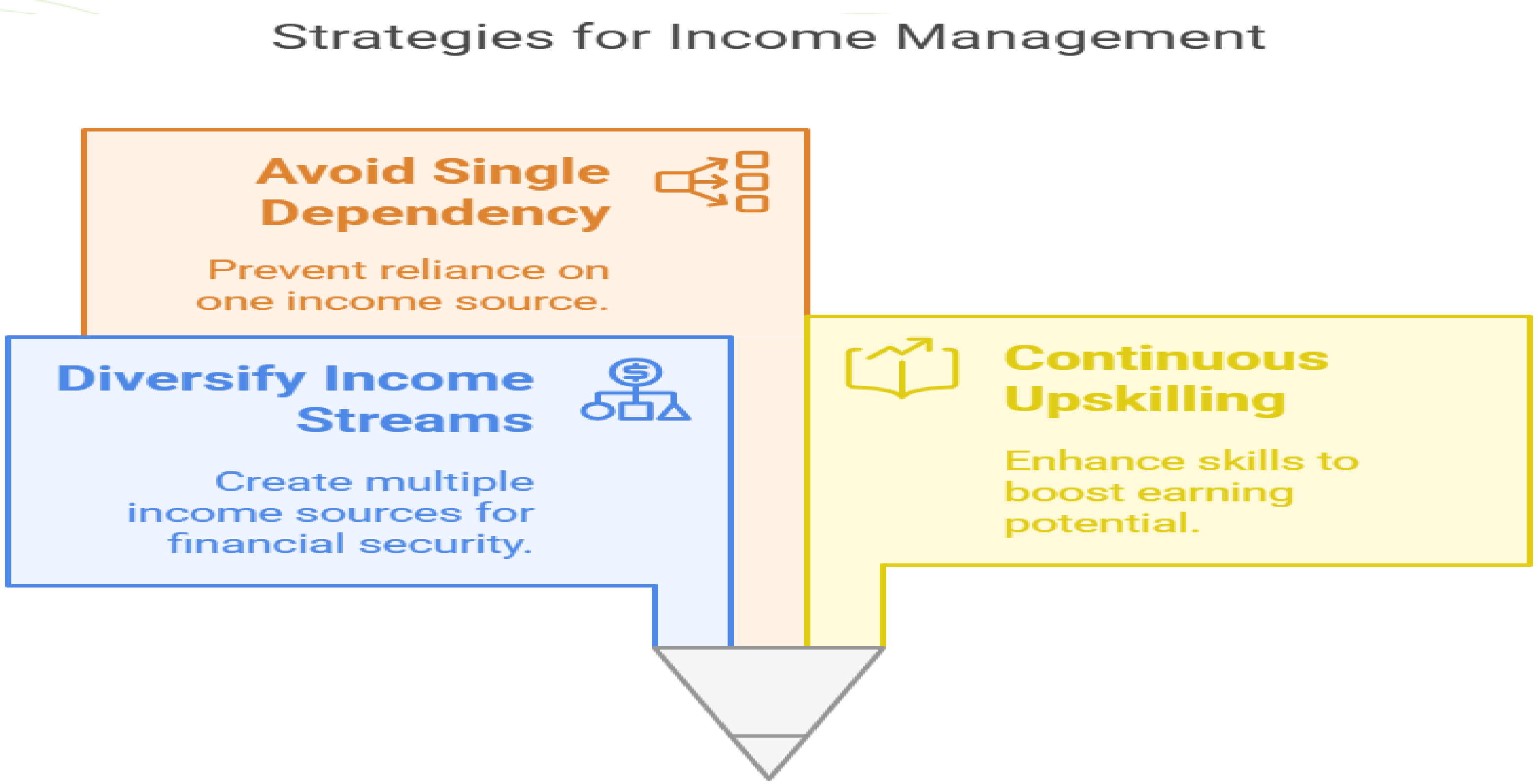
Strategies for Financial Planning

Income Management

✓ Earn wisely and maximize your sources of income.

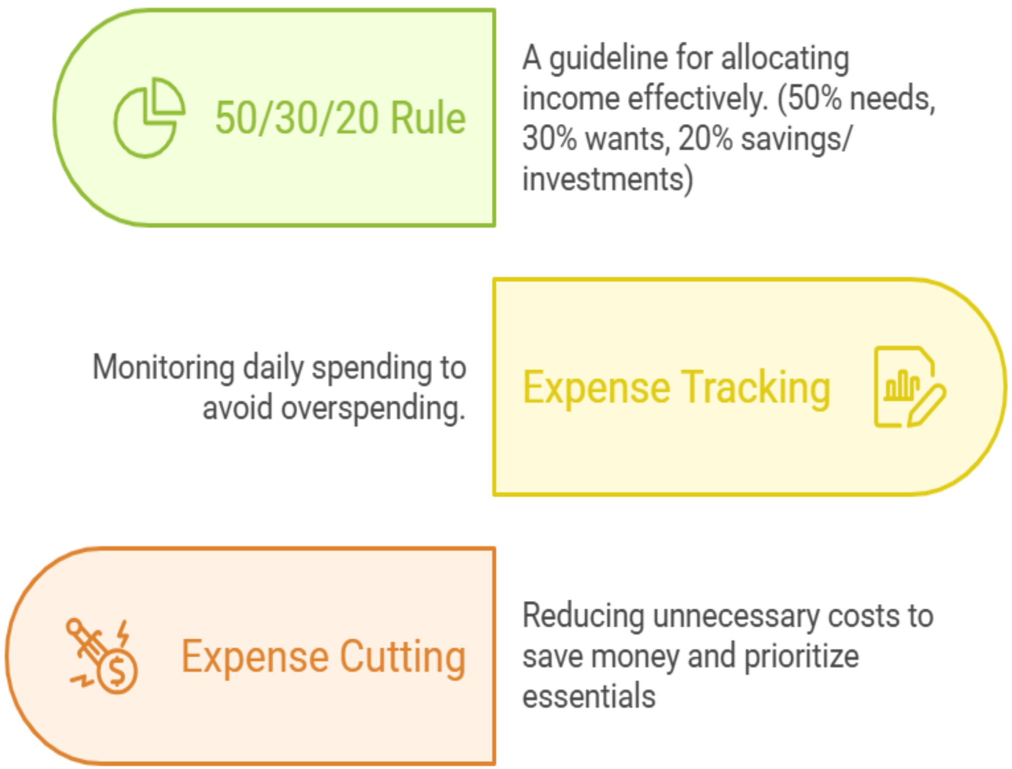
✓ Your income is the foundation of financial management.



Budgeting & Expense Control

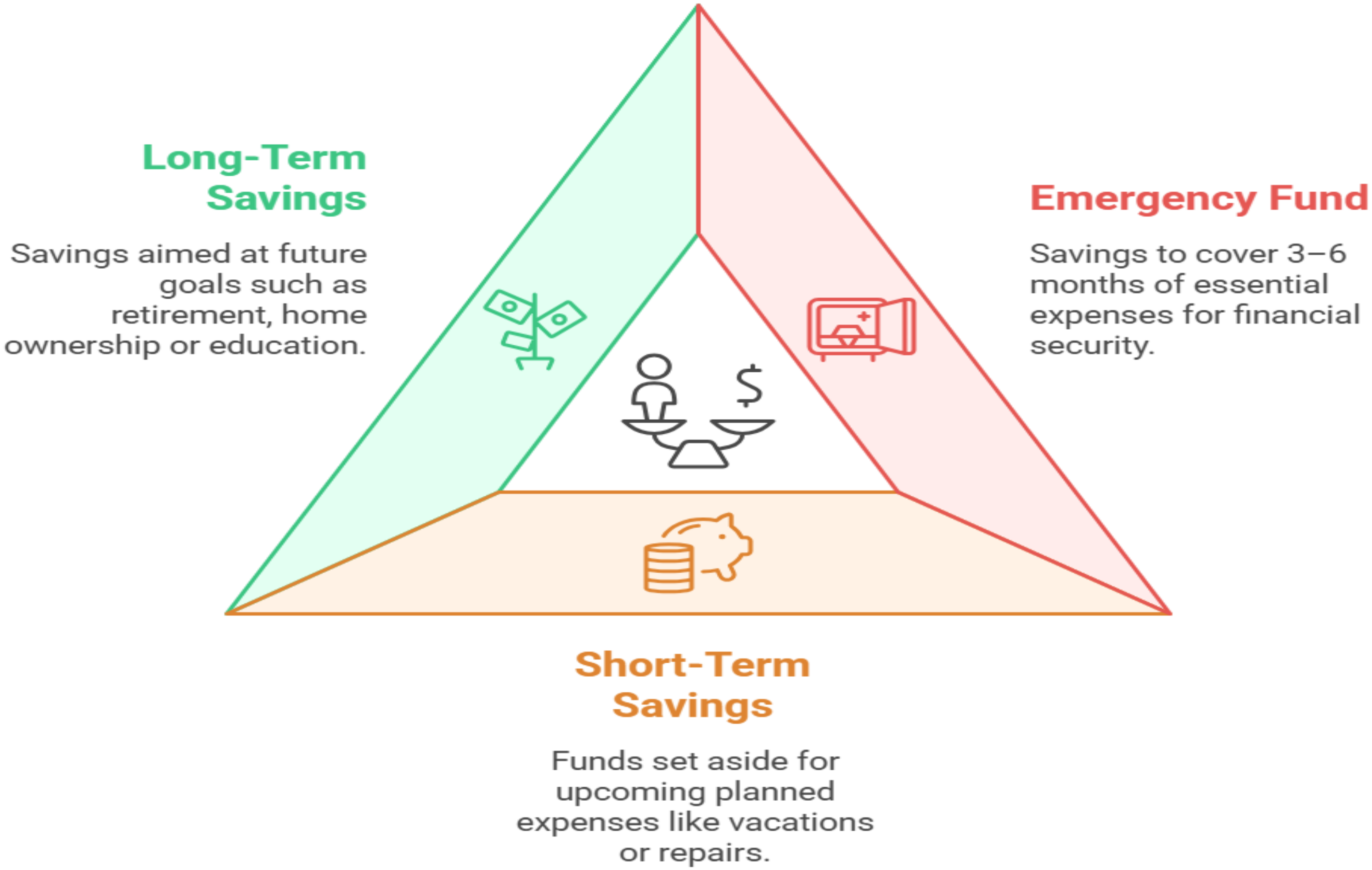
- ✓ Plan where your money goes inste of wondering where it went."
- ✓ Budgeting ensures you live withi your means and allocate funds wis

Expense control strategies



Savings & Emergency Fund

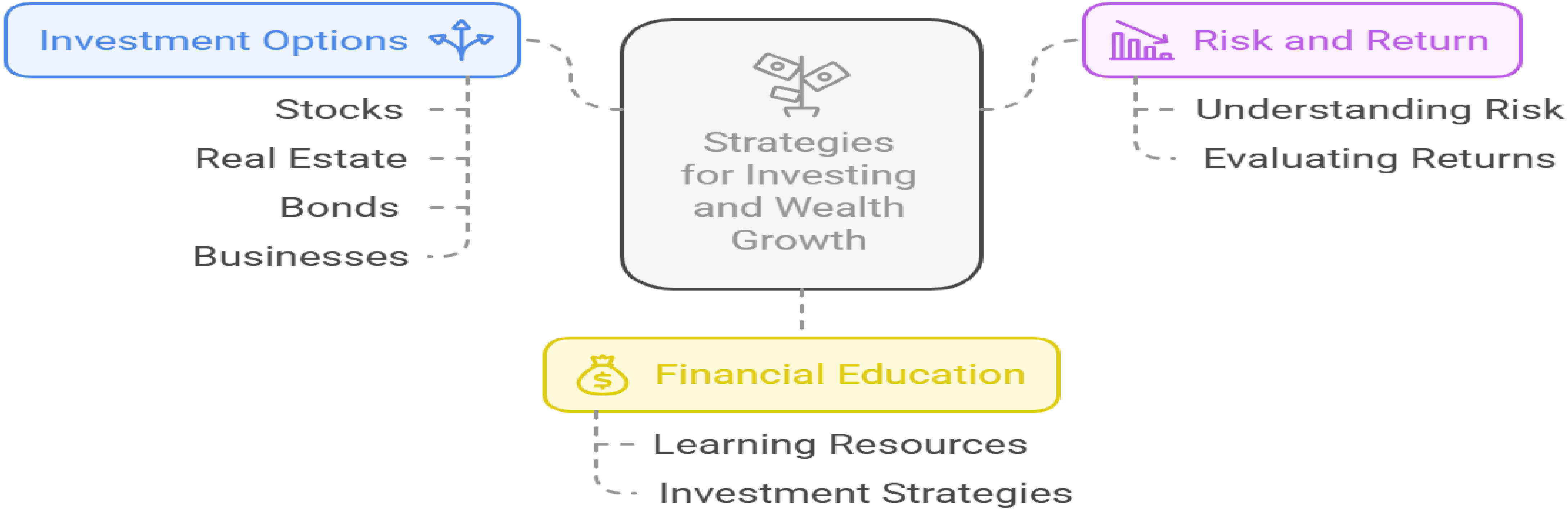
- ✓ *Save for the future and prepare for uncertainties."*
- ✓ Having savings ensures financial security in case of unexpected events



Investing & Wealth Growth

Make money work for you through wise investments."

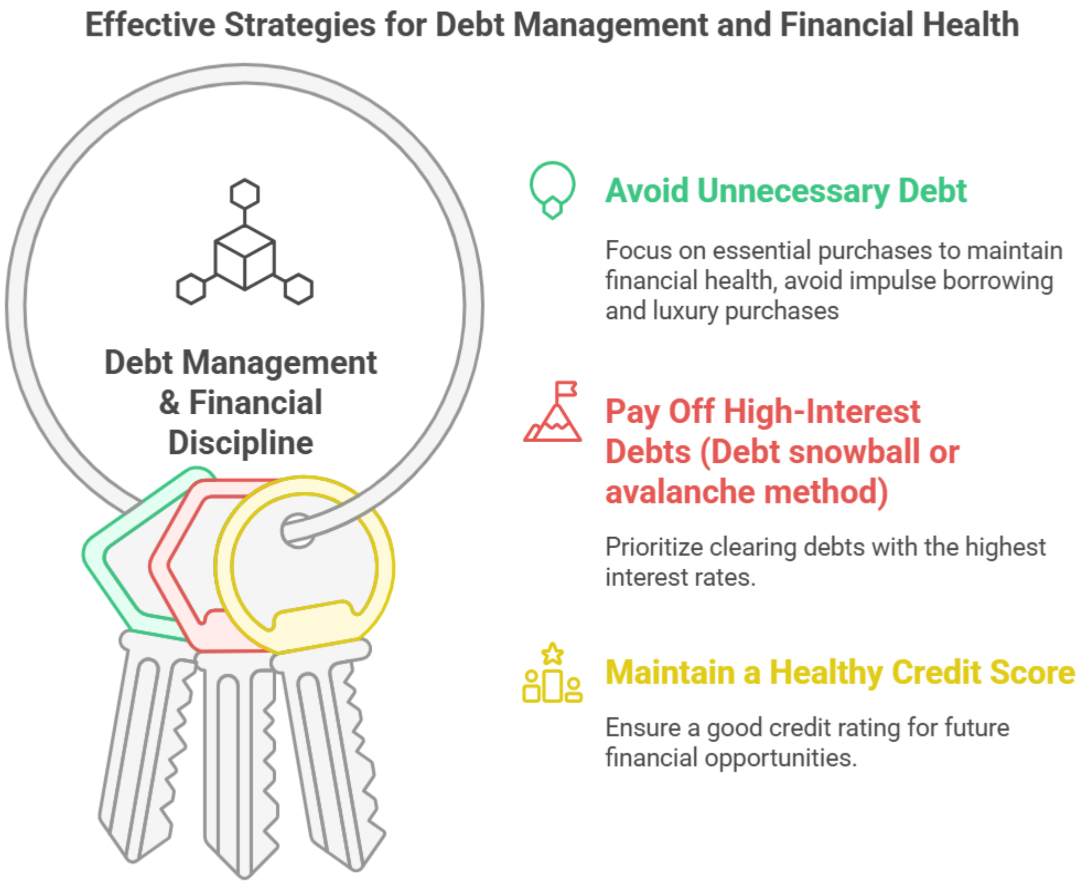
✓ Investments help grow wealth over time and provide financial freedom.



Debt Management & Financial Discipline

Borrow wisely and manage debts effectively."

- ✓ Debt can be a tool for growth (e.g., mortgage, education) or a trap (bad loans).



Role of Investment in Financial Planning

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Investing is the ***engine of financial growth*** *in any personal financial plan. It allows individuals to:*

Grow wealth over time

Beat inflation

Reach long-term goals (retirement, home purchase, children's education)

Generate passive income

Strategies for Financial Growth

- ***Start early:*** *Compounding works best over long periods*
- ***Invest consistently:*** *Monthly SIPs (Systematic Investment Plans) build discipline*
- ***Reinvest returns:*** *Don't withdraw profits unless needed*
- ***Minimize fees:*** *Avoid high-fee mutual funds or advisors*
- ***Stay invested:*** *Avoid panic-selling during market dips*

Growth Mindset in Financial Planning

To ensure continuous financial growth:

- ❑Keep upgrading financial knowledge
- ❑Set measurable milestones (e.g., net worth targets)
- ❑Celebrate small wins (e.g., saving your first Kshs 100,000)
- ❑Think long-term—avoid get-rich-quick schemes

Diversifying Investment Portfolio

Age	20 – 30	31 – 40	41 – 50	51 – 60	61 – 70
Equities	60%	40%	30%	20%	15%
Fixed income	25%	25%	25%	25%	35%
Property	10%	30%	40%	50%	40%
Other	5%	5%	5%	5%	10%

MONEY MISTAKES TO AVOID

Avoid these 11 Money Mistakes

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1. Spending what you haven't received

7. Being a Guarantor when you are not willing or able to pay

8. Keeping money within reach when you don't need it in the short term

3. Lending someone money you are not willing to lose

6. Paying for the PRICE instead of the VALUE

4. Spending money on your wants. Spare it for your needs

9. Chasing money instead of the skill that makes the money

5. Keeping your seed instead of planting it.

11. Keeping your money in inappropriate places

10. Spending more than you earn

2. Starting to spend before you save

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OUR PRODUCTS

Enwealth Capital Unit Trust Scheme

INVESTMENT FUNDS

- Enwealth Money Market Fund
- Enwealth Balanced Fund
- Enwealth Equity Fund
- Enwealth Dollar Money Market Fund
- Enwealth Fixed Income Fund

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