

PERSONAL FINANCIAL MANAGEMENT

According to Forbes.com, Warren Buffet, the fourth richest man in the world as at August 2020 made his first investment at the age of 11 (eleven) years old and filed his first tax return at the age of 13 (thirteen) years old.

Whereas I acknowledge that we will not all become as financially successful as Warren, it is never too early to start flexing your financial muscles. The sooner you hack the basics of prudent mastery of personal finances, the sooner you will be able to build a solid base upon which your financial life goals can be launched and also the higher the likelihood that you will get to know the joy of having a surplus that can help you make a difference in the lives of your significant other(s) and beyond.

The grim alternative is a short-sighted grind or a wasteful lifestyle that may easily get you on the path of the desperation of being perpetually broke, barely scraping by and predictably priming you, at best, for a possible drab hand-to-mouth existence thereafter, next door to the vicious cycle of consumer debt and despair.

The basic personal financial principles to be considered include:-

- Keeping detailed records of all your expenses. Consider getting a pocket-size note book to help you keep track of expenses as they are incurred. You can also look for a good mobile phone application that can help with the tracking.
- Periodically (weekly, monthly, end-of-semester/trimester etc.) tallying and evaluating your expenses.
- Always operating from a written monthly, semester/trimester, annual personal budget and periodically checking how you are doing against your budget.
- Building up an emergency fund which, at the minimum, is the equivalent of at least one semester/trimester equivalent of your up-keep expenses. Learning the discipline of always retaining this amount even with the temptation to consume it.
- Researching on potential investment opportunities that you can experiment with.
- Always allocating a portion for generosity towards the less fortunate.
- Getting a job during the study breaks (don't be picky) what you want is exposure to the work environment and to cultivate a healthy work ethic. If paid work is not forthcoming, be willing to volunteer, it is one sure way to get your foot in the door of any organization. I especially recommend sales jobs because of the rich lessons that you can draw from them.

- Researching on personal finance management and where possible, taking courses on personal financial literacy. A common mistake that many make is to assume that they will somehow be instinctively competent with their finances, or that they'll get serious about it after campus. Often, they realize too late that unhealthy habits and attitudes towards personal finances have already formed.
- Writing down your short-term (within the first year) and medium-term (approximately 3 years) personal financial goals and keeping oneself reminded of them. You can also consider longer term plans but the short and medium term options are a good place to start.
- Avoiding debt and the temptation to live beyond your means. This will especially be compounded by the numerous mobile loan applications that will tempt you to utilize them for consumer and lifestyle related expenditure.
- Being aware of the allure of easy money that may call upon you to compromise your integrity and/or erode your respect for honest hard work and ethics. King Solomon who was both wise and exceedingly rich noted that wealth gained by dishonest means will soon be lost but the one that comes by honest labour will last though it may not come as fast. (Proverbs 13:11).
- Getting someone (a likeminded peer) to hold you accountable and take this challenge of personal financial prudence with you. If possible, also consider getting someone older and/or more experienced to mentor you in the area of managing personal finances.

Please note that with the recent upsurge in betting (and gambling), extreme caution is recommended due to their addictive and destructive potential on an individual. The red flags to look out for include borrowing money to use in placing bets, an increasing inability to stop or control the urge to bet, diversion of funds from other important purposes into betting, heightened anger/irritation reaction if stopped from engaging in betting, missing lectures and important engagements in order to bet, placing higher and higher bet amounts, chasing the lost amounts in a desperate futile hope that it will be recovered in when the luck turns, lying about or hiding the betting habit from significant other etc.

Finally, the greater challenge in implementing the stated recommendations will be in maintaining the discipline and consistency until they are deeply ingrained. Remember, the amount of money you are beginning with is immaterial, what matters is the diligent application of these and other fundamental principles of personal financial management on the little or much that you have.

Written by Henry Mwaniki – Training Manager CMS-Africa (August 2020)