

FINANCIAL LITERACY HANDBOOK

Increase Your Financial Skills

This handbook is about financial literacy. It typically looks at how to make or earn money, managing the made or earned money, saving and investing that money, donating some of the money and financial planning among other elements.

Acknowledgements

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Foreword

In the language of my people, “*okusoma*” is the concept we use to describe lifelong learning. In the past, education was used as a weapon of oppression, but it can now be the key to unlocking the full potential of our people.

Financial literacy is an important component of lifelong learning. Today, we are all faced with an assortment of complex financial decisions, and we require a great deal of awareness and knowledge to be comfortable making even the most basic financial decisions. Unfortunately, many of our people lack the skills necessary to make such informed decisions related to money and investment.

I would like to acknowledge and thank the authors for providing the wealth of information that is offered within the following pages. This handbook includes many practical and pragmatic

resources that our people can use to help them find their path towards becoming more financially informed.

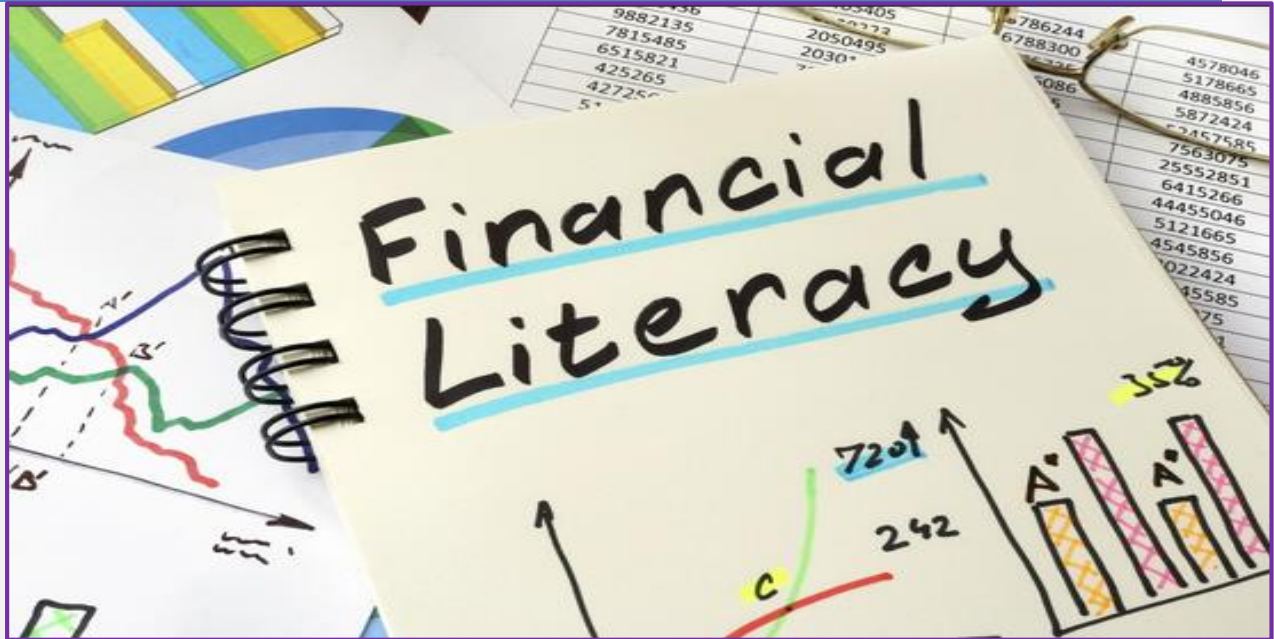
I hope families will bring this information and exercises alive in their homes, around their kitchen tables or while driving to work. May you enjoy the teachings in this handbook and empower yourselves to gain the financial knowledge necessary to create positive change and become more “*financially literate*”.

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INTRODUCTION TO FINANCIAL LITERACY



Financial literacy is a ‘must include’ part of everyday life. Understanding the basic principles of finance enhances the ability of people to achieve their personal financial goals and to enhance job opportunities. This is done through an understanding of spending/saving/investing/risk along with the ability to read and understand financial statements.

This handbook is a tool to help you help yourself. The purpose of sharing the handbook is to provide you (the reader) with information, tools, and resources to help you make informed decisions about your relationship with money.

As our elders have taught us, when we are learning, it is important to look at the past, present, and future. We need to acknowledge our past and understand how it influenced the present situation so we can move forward to creating our future.

In respect for that teaching, we share the journey of financial literacy by looking through the lenses of the past, present, and future.

Definition of Financial Literacy

The term “**financial literacy**” means having the knowledge, skills and confidence to manage your finances well, taking into account your economic and social circumstances, where:

- “knowledge” means having an understanding of personal financial issues;
- “skills” means being able to apply that knowledge to manage one’s personal finances; and
- “Confidence” means feeling sufficiently self-assured to make decisions relating to one’s personal finances.

Financial literacy can be improved through financial education, information, instruction, training and advice. The OECD definition of financial education is as follows:

“Financial education is the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.”

Where:

Information involves providing consumers with facts, data and specific knowledge to make them aware of financial opportunities, choices and consequences; instruction involves ensuring that individuals acquire the skills and ability to understand financial terms and concepts, through the provision of training and guidance; and advice involves providing consumers with counsel about generic financial issues and products so that they can make the best use of the financial information and instruction they have received.”



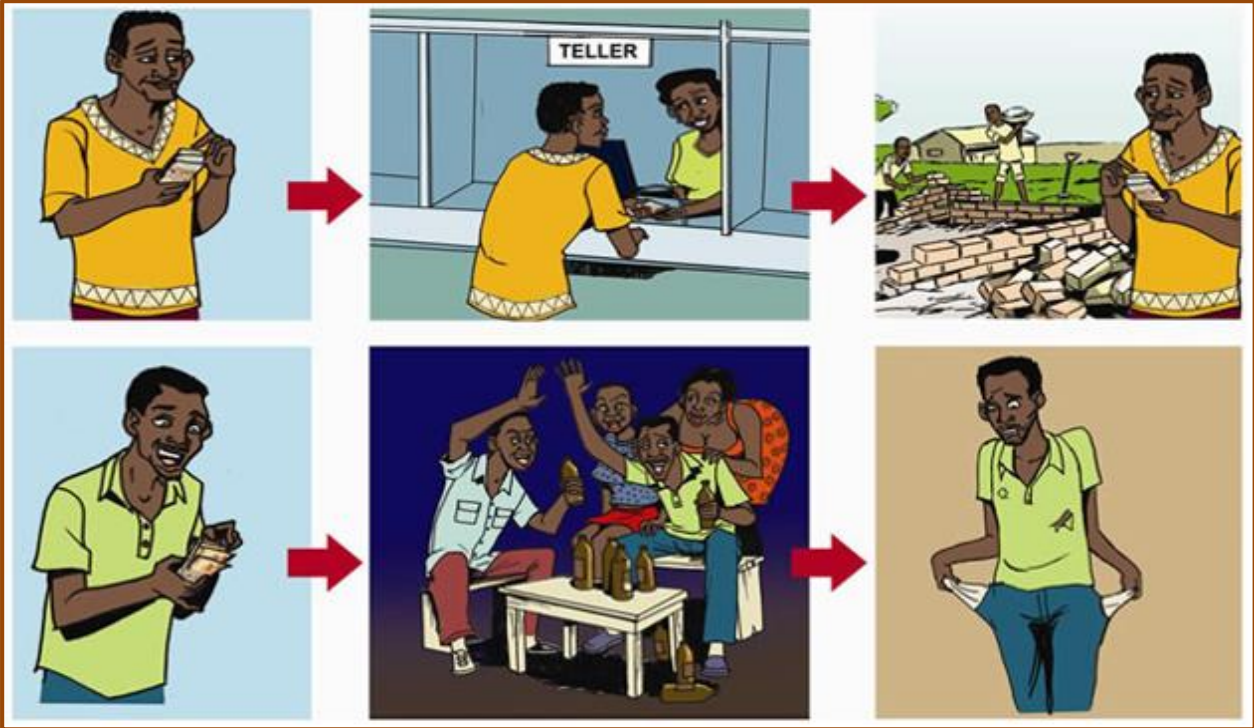
Financial literacy is “the ability to use knowledge and skills to manage one’s financial resources effectively for lifetime financial security.”

Benefits of Financial Literacy

- Financial literacy clearly benefits individual consumers and their households, since they are able to make better and more informed decisions when it comes to saving for their pension, studies or ensuring that they contract a mortgage for their home which they are able to repay within a reasonable period.
- People who make good financial decisions are more likely to achieve their financial goals, making them more likely to hedge against financial risks and negative shocks and support economic growth.

PERSONAL FINANCIAL MANAGEMENT

1. **Determine what you need and what you can do without:** Plan to meet your basic needs before thinking of luxuries. For example, ensure that your children's school fees are paid before you spend money on alcohol and expensive clothes.
2. **Decide what is important to you:** You should set financial goals to be able to manage your money well. Think of what you want in life and set goals towards achieving that. For example, if you want to buy land in 5 years' time, start saving for it now. If you are working for something that's important to you, and if you have a plan of action, you will be more likely to succeed.



- 3. Set family financial goals:** The first step in financial wellness is establishing financial goals. Establishing your goals is the conscious effort of examining, defining and writing down what you want to achieve both financially and personally. Your financial plan should include the goals, resources, and responsibilities of the entire family. You can achieve family needs but not necessarily what each family member wants. For example, you can decide together what schools to take your children to and which medical centre your family can get treatment from, according to your income.



4. **Raise money to meet your financial goals:** After setting your financial goals, plan where you will get the money from. If you can't get enough money from your income, raise additional money through home based projects (e.g. vegetable growing and marketing, bricklaying, roasting and selling of groundnuts, baking, etc.). You can also cut your expenses and save: Look for ways to spend less so that you can save some money to help you reach your financial goals.
5. **Prepare a budget which is within your income:** Once you have decided on your priorities, find out how much you need to pay for them. Make sure you plan not to spend more than you earn. When making your budget, keep in mind that prices usually change over time.

Budget													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
Income													
Salary	2000	2000	2000	2000	2000	2000	2500	2500					17000
Dividends	100	100	100	100	100	100	100	100					800
Total	2100	2100	2100	2100	2100	2100	2600	2600	0	0	0	0	17800
Expenses													
Mortgage or rent	1200	1200	1200	1200	1200	1200	1200	1200					9600
Car	200	200	200	200	200	400	400	400					2200
Phone	50	50	50	50	50	50	50	50					400
Health Insurance	100	100	100	100	100	100	100	100					800
Food	300	300	300	300	550	600	600	600					3550
Total	1850	1850	1850	1850	2100	2350	2350	2350	0	0	0	0	16550
Short/Extra	250	250	250	250	0	-250	250	250	0	0	0	0	1250

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