

HOW TO BE AN EXPERT IN PERSONAL FINANCE



GETTING A HANDLE of managing your basic personal finance administration can return many financial rewards, as well as provide you with more free time to pursue your interests and freed up money to invest.

When we talk about the basic elements of anyone's personal finances, it is a combination of personal budget, savings and investment planning, managing your income, and outgoings resourcefully as well as applying for loans and finance and various insurance policies you may need over your lifespan.

Personal finance relates to analyzing your present financial status, setting financial short-term and long-term goals, setting up the execution for these goals, executing the goals and monitoring the growth, and reassessing the

achievements and making compulsory adjustments for a rewarding result.

There are four key elements of good financial management to follow:

■ Steps

1 Budget - Working without a budget usually leaves you mystified as your paycheck seems to disappear; leaving you empty-handed by the time the end of the month rolls around and it's time to pay the bills, or put food on the table. In addition, when you create a budget, you begin to see a clear picture of how much money you have, what you spend it on, and how much, if any is left over.

2 Invest - To be more efficient in dealing with personal finance, it is important to choose wisely when and how to invest

your savings. Put your money to work by:

Earning interest in a savings account or returns in a retirement fund, or a mutual or index fund, or build equity in your home by paying down your mortgage.

Better yet, increase your assets by investing in a few of these options, while keeping a liquid savings account for emergencies. Failing to take advantage of free money is a common personal finance mistake amounting in money lost to inflation, and missed opportunity. Be cautious also of investments that promise a high return with little or no risk.

3 Practice Debt Management - After creating a sound budget and cutting unnecessary expenses, you may still find yourself with remaining debt to get rid of. Mismanaging your debt through overspending,

failing to budget, or high interest rates can quickly send you in a downward spiral. The best way to handle debt is to stay out of it in the first place. Remember to stay away from the temptation to "buy now, pay later" and only take loans for essentials in life such as: education, transportation and habitation.

As a general rule, do not finance anything for longer than its useful life. Keep your credit score high by keeping tabs on your credit report and paying your bills on time.

4 Get Insurance - You have come a long way, and there is one more important aspect of your finances that you need to consider. You have worked hard to build a firm financial footing for you and your family, so it needs to be protected. Accidents and disasters can and do happen and if you aren't effectively insured it could leave you in financial ruin. Everyone needs insurance to protect your life, your ability to earn income, and to keep a roof over your head.

