

Financial Planning

Name: _____ () Class: _____ Date: _____

Activity 1

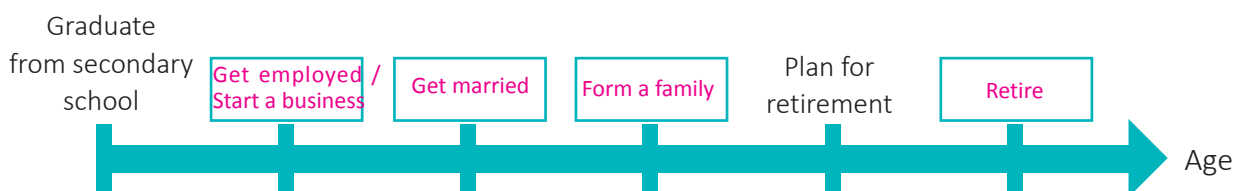
Life events and their expenses

Objectives

1. Establish financial plans to achieve short-term financial goals and meet expected expenses
2. Establish long-term financial goals
3. Understand the relationship between financial plans and budgets

At different life stages, we must ensure that we have sufficient money and money management skills to cope with different kinds of life events.

1. List in the blanks the life events that may be experienced at each of the following life stages.



Students are free to answer the question, for example, completing a degree, getting employed, starting a business, preparing for a wedding, buying a flat and raising a child. Any reasonable answers are accepted.

2. Regarding the previous question, how can you prepare for these important expenses?

Work and study hard to increase the opportunities of finding a job with steady income in the future;

In the meantime, form a habit of saving money earlier and accumulate wealth with compound interest.

Teachers can remind students:

When we are young we can earn stable income from working and accumulate wealth through savings and investment. After retirement, we won't have income from work. Therefore, we should establish good money management habits as early as possible to help achieving the goals at different life stages.

Activity 2

Group discussion (Financial goals and plans)

Choose one of the following financial cases for group discussion. Then select a group member to play one of the roles in the case and try to persuade other group members to take his/her plan. Upon completion, send a representative to report to the teacher and classmates.

Case 1 (Suitable for less capable students)

Read the following information and answer the questions.

After Man Kit and Siu Fong got married, they rented a flat together. They do not plan to have children. Their joint monthly income of this two-person family is \$25,000. Man Kit and Siu Fong plan to buy a new TV as their current one is not working.

I don't plan to save money for purchasing a new TV as it's not that expensive. The income that has not been spent at the end of the month should be enough to pay for it. Let's deal with it later.

Man Kit



I plan to use \$8,000 to buy a TV by reducing my spending on shopping. \$2,000 will be saved immediately after receiving my salary every month and then we can buy a new TV after four months.

Siu Fong



1. Who do you think, Man Kit or Siu Fong, is more likely to achieve the financial goal of purchasing a TV? Why?

Open-ended answer: The financial goals should be in line with the 'SMART' principle, for example, being specific (saving \$2,000 every month) and time bound (achieve the goal after four months).

Reference answer: Siu Fong. She has a specific savings target (saving \$2,000 every month). Meanwhile, she plans to reserve the amount for savings once she receive her salary, ensuring the goal can be achieved.

2. Man Kit is not willing to reduce other expenses for a new TV. In the case of fixed expenses, what method can he use to achieve the financial goal of purchasing a TV?

Open-ended answer.

Reference answer: Man Kit could find some ways to increase income (such as doing part-time job during his free time), or consider buying a cheaper TV.

3. Apart from individuals, do families need a financial plan as well? Any examples?

Open-ended answer.

Reference answer: Yes. Families also have various financial goals (such as house renovation). Financial plans can help families plan the amount of monthly savings they need in order to achieve financial goals within a specified time frame.

Case 2 (Suitable for more capable students)

Read the following information and answer the questions.

Mr. and Mrs. Yeung bought their property after they got married. They live with their two children who are both studying at university. The monthly household income of this 4-person family is \$80,000. Their income is quite high, but with expenses such as insurance contributions, tax payment, children's tuition fees, repayment of mortgages, etc., their financial burden is also high. They want to go on a family holiday to Europe but they have some disagreements on whether they should use their savings to pay for the travel expenses.

Our savings are for emergency use. It should be reserved to meet sudden financial needs. It is better to start reducing our non-necessary expenses now such as buying branded clothes so that we could save \$15,000 each month. At the same time, we should avoid travelling during the peak season like the summer vacation to save money. We should be able to save enough after four months. If we travel Europe in winter, we may even get a chance to enjoy the snow!

We have savings in the bank account which is enough to cover the travel expenses. Don't think too much! Spend the money and travel now!

Mr. Yeung



Mrs. Yeung



1. Which suggestion, Mr. Yeung's or Mrs. Yeung's, do you think is better? Why?

Open-ended answer.

Reference answer: Mr. Yeung's. A family needs to save some money for 3-months of expenses to deal with unexpected events (such as being laid off by the company). Saving for the travel expenses by reducing unnecessary expenses such as buying branded products has a lower risk. Also, choosing to travel during the off-peak season could reduce expenses such as airfares and accommodation fees. These suggestions make it easier for them to achieve the financial goal of travelling to Europe.

2. In addition to travelling, what are some other major household expenses?

Open-ended answer.

Reference answers: buying a new flat, raising children, supporting children's studies, wedding preparation, etc.

3. 'Only high-income families need to create a financial plan.' Do you agree? Explain.

Disagree. Low-income families also have financial goals (such as replacing furniture and taking short trips). Financial plans could help families save money systematically and achieve financial goals within a specified time frame.

Summary

- ♦ Financial planning help people achieve short-term, medium-term and long-term financial goals.
- ♦ Saving plans and budgeting are essential elements for financial planning.
- ♦ Develop a habit of saving from young age to prevent living from paycheck to paycheck after started working.
- ♦ We should allocate a certain amount of money for saving after receiving pocket money to avoid excessive consumption.

Extension activity

Interview your family members to learn about their short-term/medium-term goals and create a family budget to see if your family's financial plan is feasible.

Three steps to goal setting

Open-ended answer. For example, travelling Japan, hoping to achieve after one year, etc.

Set the short-term/mid-term goals of the family (to be achieved within one year)

Goal: Buying a TV

When to achieve: within six months

Estimated amount: \$7000

Amount of savings needed per month: \$1500



Planning a family budget

| Family budget (Monthly) | | |
|-------------------------|-------------|------------|
| | Amount (\$) | Total (\$) |
| Total income | | \$34,000 |
| Savings | \$4,000 | |
| Necessary expenses | | |
| Rent | \$10,000 | |
| Management fee | \$2,000 | |
| Water bill | \$1,000 | |
| Electricity bill | \$1,000 | |
| Food | \$6,000 | |
| Non-necessary expenses | | |
| Home appliances | \$3,000 | |
| Furniture | \$3,000 | |
| Others | \$2,000 | |
| Total expenses | | \$32,000 |



Review whether the goal is feasible

If not, are there any other ways to achieve it? Any adjustments to be made?

Examples of necessary expenses: mortgage/rental expenses, management fees, water bill, electricity bill and purchase of grocery products.

Examples of non-necessary expenses: purchase of home appliances and furniture.