



▶ Difficult Money Conversations Part 2..... 1



▶ Financial Priority Matrix..... 2



YAMAN Coach

EMPOWERING YOU

Difficult Money Conversations – Part 3 of 3

by Coach Atty. Zigfred M. Diaz, CSS, ReB, ReA, AEPP RFP®

Last time we discussed how difficult it is to have money conversations with family and friends brought about by cultural and familial dynamics as well as the practical steps on how to get such conversations started. Let us finish off with the last two practical steps.

Know your limits and set boundaries – Inasmuch as we Filipinos love to place so much premium on relationships, we have to realize that there is only so much we can do to help out a family or friend in need. For example, a close relative on the side of one of the spouses might borrow money for hospitalization. One of the spouses may withdraw all of the savings without consulting the other in the name of helping a relative. So, while an immediate problem of the relative was solved, it gave rise to another problem, one between husband and wife. Clearly, the spouse who withdrew money should not have only consulted the other but also checked if taking out money would not negatively impact the needs of their own family.

Another situation is when one of the spouses gives regularly to an aging parent. The couple can set certain limits as to how much they should give on a monthly basis to the aging parents ensuring further that such will not affect the family budget.

Help increase their financial literacy – A Standard & Poor’s Global financial Literacy survey conducted sometime in 2014 revealed that only about 25% of Filipinos are financially literate, that 90% of workers worry about being poor in retirement, and 70% of elderly retirees are living with grown children. A 2017 Bangko Sentral ng Pilipinas Consumer finance survey reveals that only 19% of the country’s 68.6 million adults have some form of formal savings (e.g. savings with financial institutions such as banks and cooperatives) and only a mere 3% invest their money in stocks, bonds, unit investment trust funds, mutual funds and other managed investment schemes. And while the number of Filipinos directly investing in the Philippine stock market is registering double digit growth, the total percentage of Filipinos directly investing in stocks is still less than 2% of the total population.

So what does these statistics have to do with difficult money conversations? Simple. Conversations with family and friends about personal finances will be much easier to have if people are on the same page. If a person is financially literate, and so are his family and friends, they would more easily understand each other when it comes to money management. Promoting financial literacy

is, therefore key. And there are lots of ways to go about this. For instance, during Christmas I usually give out books instead of the usual Christmas presents. I prefer giving “gifts of knowledge.” From time to time I give out books on personal finance and stock market investing. You can take a page off my book and do the same. I have not been asked to do this by Money Sense but giving an annual Money Sense Magazine Philippines as a gift might be a good idea too. If you can afford it, you can buy gifts that are related to finance and/or investments such as giving out shares of stocks in listed companies, buy insurance, or open a managed fund account. You can also bring family and friends to free seminars on investing such as the one regularly conducted by the Philippine Stock Exchange and online brokers. You can even offer to pay for the personal financial education of family and friends. You can share memes and good articles on personal finance and investments with your loved ones. Take note that how we deal with such issues eventually affect our relationships.



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Have you ever felt frustrated for not being able to prepare for an expense even though you know it is important or that it can happen?

Have you felt guilty for spending on something that either fulfills just a temporary urge or does not provide value at all?

We are likely to have answered yes to the two questions at one time or another. And to better understand and prepare for these questions popping up in the future, we can apply the time management quadrant of Stephen Covey to our personal finances based on an expense's urgency and importance.

High importance, high urgency

In personal finance, these are the events that need immediate attention. Examples of such are hospitalization, house and car repairs, loss of income due to job redundancy/retrenchment or other medical concerns such as death, disability, etc. The two common ways to deal with these issues are through the use of emergency funds and/or insurance. It is, therefore, essential that the level of emergency funds is commensurate with the potential needs of the family and that the household has sufficient insurance coverage.

Low Importance, High Urgency

One word to describe this category is cravings. These are usually impulses to buy something when there is really no need for such item now, or perhaps in the future. To manage cravings, always defer buying something that is not planned as this urge to buy usually goes away after a few days. It is also suggested to decrease usage of online shopping apps and to buy things in cash if buying on credit results to uncontrolled and unmanaged spending. This is not to say that buying to satisfy wants is inherently bad. Rather, buying should be planned properly. Just remember that before allocating financial resources, all other financial responsibilities should be addressed first.

Financial Priority Matrix

by Coach John Hero A. Salvador, RFP®

Low importance, low urgency

Purchases under this category are not aligned with the household's goals or priorities. To minimize expenditures under this category, a household needs a solid financial plan anchored on what really matters to the members of the household. Having a well-monitored cash flow statement and planned budget will also provide the household with additional benchmarks to monitor effective use of financial resources.

High importance, low urgency

Expenditures under this category address the true financial goals of the household. Having a thorough understanding of what is important for the household will lead to the development of financial plans centered on these goals. And an early understanding provides the household ample time to prepare for things that they need and want to achieve. The critical thing to remember here is that the household should know what really matters for them. Another thing to bear in mind is that the low urgency of these important goals sometimes becomes a pitfall and reason to procrastinate until such time that the momentum and leverage of time is lost. Citing retirement as an example, we have read stories or know of people that put off retirement preparation until it is too late, forcing them to live in conditions different from what they could have had and sometimes working far longer than they really like to.

In a nutshell, hedge against emergencies, resist cravings, drop the unnecessary expenses, and focus on what really matters. Doing so will provide invaluable dividends in the short-term and in the future.



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Editor's Note

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Light of the World

A saint once said that you can be a saint wherever you are, whatever job you have, whatever status in life you have achieved. All you need to be is salt of the earth, light of the world.

Imagine shining a flashlight in a vacuum, where there is nothing that light can bounce off. Will we see the light? Our eyes will fail to see even the rays of the flashlight because when it comes to visible light or what the human eye can detect, the light needs to bounce off something.

This is why one of the prescriptions in the front page article is to spread financial literacy. Knowledge is the light, and we are the instruments used to project that light. Shining this light is not just a privilege but an obligation as well.

Matthew 5:15-16 says, "No one lights a lamp to put it under a tub; they put it on the lamp-stand where it shines for everyone in the house. In the same way your light must shine in people's sight, so that, seeing your good works, they may give praise to your Father in heaven."

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