



BancABC

Financial Literacy

Is your money  
working for  
you?

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— part of  
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# What is Money?

They say money is the root of all evil BUT is it really?

Generations, cultures, groups and individuals view money in various ways and hence it means different things to each one.

Question: What influences your spending patterns; do you spend money you have or do you spend because you just have to have that particular item?

Money can mean a lot of different things to each one of us regardless of our income level. One thing none of us can escape from is that money is an extension of ourselves.

# What is Financial Literacy?

Financial Literacy refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources.

It is about how you get to spend whatever amount of money you earn/make/have, no matter how little or how much it is.

So, Financial Literacy is NOT about how much money you make BUT about what you do with the money you make. It does not matter if you earn millions, thousands or hundreds... If you are not financially wise you will spend all your money and remain in debt. You just need to think about some famous actors or sports stars to know this is true.

# Personal finance

Personal finance is the financial decisions which an individual or a family unit is required to make to obtain, budget, save, and spend monetary resources over time, taking into account various financial risks and future life events.

# The need for Financial Literacy and Planning

Imagine it is the end of the month, you have paid all your necessary bills AND you have a disposable income to sustain you for the month when looking at daily/weekly costs such as mini-groceries (bread, milk kana mopako wa bana), fuel or transport to work or even to be able to take yourself out to a good outing!

Wouldn't that be great? Well, it is possible! You just have to plan and prioritize.

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# Debt Management

We all have debts one way or the other. You might owe your sibling, your friend, or even a retail outlet. The fact remains one way or the other we have debt(s).

Debt to income ratio (DTI): This is the percentage of total debts versus your income per month. A 40% DTI is what most employers allow but a 20% DTI would be the best to maintain so that you can cater for any other emergency that could arise.

## Budgeting

### Why should I budget?

Budgeting is about making sure you use what you have or earn wisely enough to ensure you pay for what is urgent and important as well as the urgent but not important expenses monthly to avoid any unnecessary charges or penalties.

**A = Urgent and important**

**B = Urgent but not important**

**C = Important but not Urgent**

**D = Neither important nor urgent**

### 3 Pillars of Financial Freedom

There are 3 Pillars of Savings to achieve Financial Freedom

- ▶ Short Term Savings
- ▶ Medium Term Savings
- ▶ Long Term Savings/Investments

You might wish to or even have a savings or investment account, BUT the question is, do you have right savings or investment account that suits your needs? We all interpret Savings differently, some through Motshelo but the question is do we really make sure it serves the purpose it is meant for which is to save?

## Investments

**What is an investment to you?** Is it a house, land, a car, shares, or bonds? You would probably think it is all of these but is a car really an investment and how different an investment is it from a house?

Some define investment as:

- ▶ The action or process of investing money for profit or material result.
- ▶ Thing that is worth buying because it may be profitable or useful in the future. Having digested the above definitions, does this change your view or definition of an investment?

An investment is an even greater form and more rewarding way of preparing for the future. It can be seen as a more advanced and highly profitable way of savings that requires a lot of discipline. You get to put away your money somewhere for a fixed period of time.

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# What is Insurance?

## What are the types of insurances out there?

There are a lot of different types of insurance out there such as:

- ▶ To protect your family when you pass away
- ▶ To protect you from loss of income (should you lose your job, it can help pay your expenses)
- ▶ Liabilities and/or debt repayment after death
- ▶ To protect you against unforeseeable health expenses
- ▶ To protect your home against theft, fire, flood and other hazards
- ▶ To protect yourself against lawsuits
- ▶ To protect yourself in the event of disability
- ▶ To ensure your car is protected against theft or losses incurred because of accidents

# What Insurance do you need?

## Life Insurance

If there is anyone in your life who depends on your income, you need life insurance. This obviously includes your children, spouse, parents – it can even include a friend if they rely on you for financial support.

The question you need to ask is : “If I were to die today, will those I support be able to take care of themselves?”

## How long do you need coverage

Remember that as you accumulate assets in a retirement fund and otherwise, and as your dependants grow to no longer rely on you for financial support, so will your need for life insurance change. You do not therefore necessarily need life insurance for your entire life. Rather look at the primary purpose for your life insurance and remember to adjust this as your life circumstances change.

## How much Life Insurance?

The standard recommendation is that you have life insurance that has a death benefit sufficient to generate enough interest for your dependants to live off, without spending the capital. So, if you have a death benefit of P 2,500 000 , should you pass on this is the amount your beneficiaries would receive. If they place this amount in an investment that yields 5% annual return, they would earn P 125, 000 per year in interest.

## Life Insurance is NOT an investment!

The key lesson with life insurance is that there is no necessity to tie it into anything other than term life insurance. Term life insurance purely covers your life.

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# Asset Insurance

It is a good idea to insure any and all assets that you have. These might include a car, house, jewellery, laptop etc.

## Did you Know?

Content insurance covers your valuables against theft or damage/breakage. However, your electrical gadgets cannot be claimed for if they have just stopped working. For example, phone battery completely dead or phone does not turn on due to being out dated or if the parts are no longer in place.

It is important when taking out an insurance policy for your assets that you understand what is covered and what is not. You may need to take out additional insurance for the more expensive items not covered by the limits set in some policies. For example, your insurance policy may only pay for items that are stolen from your home and not whilst they are in transit e.g. golf clubs or Jewellery. You may therefore need to specify your golf clubs, laptops, gadgets and jewellery for a certain amount on your policy so that you are covered in the case of loss wherever they are (in your car, at work etc.)

Your assets should also be covered for the replacement cost and not their market value. e.g. if your car was stolen, what would it cost to replace it? If your house was destroyed in a fire, what would it cost to replace it?

In order to ensure you have sufficiently insured your assets, document your possessions. Keep a complete record of all your valuables and where possible, take photos of each item. Update this inventory every year so that if you do need to claim against your insurance policy, you have great evidence in presenting your case.

Now that you know, how about you start managing your money right by planning and budgeting for the year.

# My Personal Budget

Name: \_\_\_\_\_

	INCOME	EXPENDITURE	SAVINGS
JAN			
FEB			
MAR			
APR			
MAY			
JUN			
JUL			
AUG			
SEPT			
OCT			
NOV			
DEC			

**Remember:**

Stick to the budget and enjoy financial freedom!

For more information, contact us,  
Toll-free on **0800 330 330**

[www.bancabc.co.bw](http://www.bancabc.co.bw)

In addition to those detailed above, other fees may be applicable.  
Please speak to your Relationship Officer or visit  
[www.bancabc.co.bw](http://www.bancabc.co.bw) for more information.