



ABOUT THIS MODULE

It is easy to learn about money – but it is hard to manage money. One of the most important elements of financial literacy is personal financial management.

It is important for everyone to understand their financial situation and know how to plan and use their money both in the day-to-day management and in the future.

This module provides some guidance on how to budget and manage your money accordingly.

WHAT IS PERSONAL FINANCIAL MANAGEMENT?

Let's keep it simple – personal financial management is how well you manage your personal or family's money or finances. It covers topics like savings, budgeting, investment, insurance, planning for retirement, etc.

This might include understanding how you and your family spend money, receive money, and whether you have the right financial products and services to serve you. Personal finance also includes setting plans and finding ways to achieve financial goals.



WHY SHOULD I MANAGE MY FINANCES?

It is never too late or too early to start managing your personal finances. Managing your finances will help you become more successful and financially stable.

- You can understand your money better – You will have a deeper understanding of how to control and use your money.
- You can properly organize your spending and savings – This will help you organize your expenses and find areas for savings.
- You can set financial goals – You will be able to set goals for the future and find strategies to achieve them.
- You can have financial freedom – If you are able to manage your money, you can have security and stability, and worry less.



This sounds great – but how do I start? How do I decide what to spend my money on?

Personal financial management starts with understanding your needs and your wants.

- Your needs are expenses that you have to spend to live or that are a necessity – e.g., *food, rent, health, electricity, school, etc.*
- Your wants are your desires; things that are not required for daily living or that are luxuries – *new clothes, new phone, eating at restaurants, alcohol/gambling, etc.*

The best place to start is to determine what is important to you and your family. For example, it is important to pay for children’s school fees and food before you spend money on a new phone.

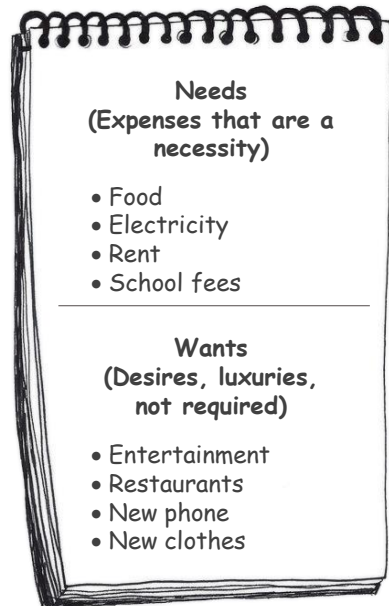


PRACTICE EXERCISE

Sit down by yourself or with your family and create a simple table to list your needs and your wants. Then, prioritise them – rank them based on how important they are to you.

Start by asking yourself:

- (1) What is important to me and my family?*
- (2) What do we want to achieve?*
- (3) How can we achieve it?*



WHAT ARE FINANCIAL GOALS?

To be successful, you and your family must set financial goals – this will help you manage your money well. Think about what you want in life – 1-year, 2-years, 5-years, from today, and set a goal.



What are some steps to setting financial goals?

1

Assess your priorities.

Make a list of items that matter the most to you. Is it buying a house? Paying off debts? Education? Marriage? You can have short-term and long-term goals.

2

Make SMART goals.

- This means your goals must be specific and easy to measure. For example, have a number in mind and purpose for that money (e.g., save Le2,000 for school fees). This way you can measure the success of your goal.
- Make sure your goals are achievable. Your goal must be realistic and something you can work towards. If your goals are too big or unreachable, you will get stressed or discouraged.
- The goal must be relevant. Your goals must be in line with your priorities and related to something that will help your future (e.g., is education a priority for you?)
- Make sure your goals are time-bound. Set a time-limit on your goals so you have a target to reach. This will keep you motivated.

3

Create a tracker for your goals.

Write down your SMART financial goals. Use a table or other format so you can identify how much you need to save every month to achieve your goals.



4 Create a personal budget.

Once you have your goals and your tracker, you can assess your budget. When you create your budget, you can see how much money can go towards your goal. Your budget can also help show how much money to spend. For example, if your goal is to become debt-free, then you can put aside more money to pay loans instead of eating at restaurants.

5 Monitor your progress.

You will not know how successful you are if you do not keep track of your finances and monitor your progress. Keep all the records and documents from your income and expenses, and regularly check how you are doing with your tracker.



PRACTICE EXERCISE

Write down 3-5 financial goals. Make sure they are SMART (specific, measurable, achievable, relevant and time-bound). Then, create a tracker with 2 columns: (1) how much you want to save (2) how much you actually saved.

Goal	Jan	Feb	Mar
Save Le600 in 3 months	200	200	200

WHAT IS BUDGETING?

One of the steps was to create a budget for yourself. Budgeting is one of the most important parts of personal financial management.

A budget is a financial plan that considers all your income and your expenses to give you an idea of how much you make and spend over a period (e.g., a month, a year, etc.)

Remember – it all starts with identifying your needs and your wants – this is the first step to creating your budget. Start by creating a monthly budget. This will guide your spending from one month to another.



Ready to create your budget?

Below is a summary of the different components to help you build your budget.

**TOTAL MONTHLY
INCOME / SALARY**

Income sources:
e.g., salary,
investments, pensions



**TOTAL MONTHLY
EXPENSES**

Fixed expenses:
e.g., rent, education,
loan
Flexible expenses:
e.g., utilities, food



**DISPOSABLE
INCOME**

Any money leftover
after subtracting
expenses



What are the steps to creating a budget?

1

Calculate your total monthly income.

- Your total monthly income can come from salary, interest earned on investments, profit from your business, social security payments, pension, etc.
- If you think your monthly income will change from month to month, try to find an average amount per month.

2

Calculate your monthly expenses.

- Write down all the expenses you think you will have during the month. Some of these will be fixed and some will be flexible.
- Fixed expenses will stay the same every month (e.g., rent).
- Flexible (variable) expenses may change every month based on usage (e.g., electricity, food, telephone bill, etc.)
- Some expenses can be fixed or flexible. If you buy the same phone bundle every month, it will be fixed. But if you buy only credit, then this will be flexible.
- Categorise your expenses based on needs and wants. Budget for food, rent and electricity before budgeting for new clothes.
- You can set a fixed amount for some flexible expenses to avoid overspending (e.g., only Le800 every month for food).
- Subtract your total expenses from your total income.

3

Calculate your disposable income.

- Any money left over after subtracting your expenses is disposable income.
- This money can be used for investments, savings or other personal spending.
- If you do not have any disposable income, it means you are spending more than you are earning. Find areas where you can reduce your spending (e.g., flexible expenses).

REMEMBER:

- Your budget will always be a work in progress. *If you are spending too much one month, you can revise your budget for the next month.*
- Following your budget is just as important as creating a budget. *Continuously monitor your spending and your income to stay on track.*
- A budget guides your expenses. *Keep track of your actual spending to see if you are over or under your budget (e.g., if you budget Le50 but spend Le40).*



PRACTICE EXERCISE

Create your own budget. Write down all your income and expenses for one month. Have two columns – one for your estimated spending and one for your actual spending.

My Budget for January	Jan		
Income			
Salary	2,000		
Expenses			
Rent	150		
Food	500		
Transport	300		
Electricity	200		
Savings	400		
Education	300		
Total Expenses	1,850		
Disposable Income	150		



SOME TIPS / BEST PRACTICES

- **You control your money; your money does not control you.**
Do not let money take over your life – you are in control of your decisions, and you have the power to spend. It will be tempting to spend money on other luxuries but prioritise and spend according to your budget.
- **It is good to have assumptions when creating your budget.**
Costs may go up from one month or year to another – so you will have to increase your expenses in the future. You can also budget for more expenses in months such as December or January for holidays. This way you will not be surprised when you review your expenses.
- **Prioritise savings when creating your budget.**
Savings should be a priority. Many people think you should save only from what is left over, but view savings as a mandatory fixed expense. A good practice is to have 15-20% of your main salary as savings every month.
- **Keep good records.**
Every time you spend money, ask for a receipt or write down how much you spent. Accurate records will help you compare and review your budget at the end of the month.
- **Regularly talk and discuss about money and finances.**
The topic of money is often avoided or not discussed. It is important to ask questions. Talk about money with your children and family. The more we talk about money the more we learn and the less control we give money.

Bank of Sierra Leone (BSL)'s *Financial Literacy Core Messaging* is an initiative under the National Strategy for Financial Inclusion (2022 – 2026). Topics and messaging presented have been developed in consultation with the Financial Education, Financial Literacy and Consumer Protection Technical Working Group. The Working Group consists of a variety of stakeholders and partners from different sectors. The Financial Inclusion Secretariat is grateful for the knowledge, input and support of the Working Group in the development of these core messages.

Disclaimer:

BSL's *Financial Literacy Core Messaging* only provides the foundation for key topics. It is expected that consumers and businesses continue to seek out other resources to further develop their financial literacy skills. It is the responsibility of the Bank of Sierra Leone to provide accurate and unbiased information in alignment with existing legal frameworks. While the BSL does not guarantee that the core messaging will result in greater levels of income or prosperity, guidance from the core messaging will allow individuals and businesses to better manage their finances.

For inquiries, comments and/or suggestions on the *Financial Literacy Core Messaging*, please email: fkamara@bsl.gov.sl



FINANCIAL INCLUSION SECRETARIAT (FIS)
Financial Sector Development Unit (FSDU)
Bank of Sierra Leone
Siaka Stevens Street, Freetown
www.bsl.gov.sl