Written by Lillian Chebosi
Sunday, 10 February 2019 18:37

Volume 09, Issue 06: Conquering Our Finances Part II

In continuation to part I of this series, we are at the stage of laying out how to program our net earnings, after taking out our tithe and taxes. We broke down savings and spending into two broad categories for each, that is savings for investments and savings for emergencies, and immediate spending and future spending. It is better to manage these four categories in separate folders. That may mean four bank accounts, or four drawers, or four purses or four envelopes for you.

Before setting up our folders, we first determine how much we want to save and how much we want to spend from the 9,000 units we had available to program in part I last week. Assuming that at the goal setting stage, we determined to save 33% and spend 67% of our earnings, we will save 3,000 units and spend 6,000 units from this current receipt. Let's also assume that out of our savings total, we want to program 40% for emergencies and 60% for investments.

In our spending categories, we have bills and expenses that we finance within the month of receiving our earnings, and others that we pay for at a later time such as quarterly, semi-annually or annually. For instance, we pay for our housing, utilities, groceries, domestic support, fuel/bus fare, entertainment, grooming and other irregular incidentals monthly, whereas school fees for our children or ourselves, maintenance and insurance for our vehicles and houses, clothes and shoes, vacations, school uniforms and accessories and membership fees for most of us are due quarterly or semi-annually or annually.

Think of bank accounts as folders. At work, we store and maintain different documents in different folders to effectively distinguish separate records for better management of each. Mingling our savings with our spending money in the same pool makes it difficult to efficiently manage and stay on top of each category. If you are a holder of one bank account, you must admit it's difficult to tell things apart and stay true to your budget consistently.

Imagine a cutlery drawer in your kitchen that doesn't have an organizer, such that your many teaspoons, knives, folks, and table spoons are thrown in randomly. Better still, imagine a hospital where patients' records are not filed in separate folders, that rather, the loose sheets of paper for different patients are all put together in drawers or cabinets. That's how managing your money in one bank account can be like. My recommendation is to maintain about four money management systems. If some of your transactions are in cash form, have four bank accounts and one cash account system. We will elaborate this further in part III of the series.

The first two accounts would be savings accounts, one for our investments or future use, and the second one for emergency savings. Going by our assumptions above, we would put 1,200 units into our emergency savings account and 1,800 units into our investments savings account. We would repeat this with every earnings we receive, applying the same percentages to the varying units we receive. As the units in these accounts pile up over time, we would look for viable investment opportunities to invest the units in our investments savings account to make our money grow and earn us passive income in future.

Next week we will begin with how to efficiently manage our 6,000 units that we have programmed for immediate and future spending. We will also consider what levels of emergency savings to aim for.

For His Glory,

Lillian Chebosi