



# MANAGING FINANCES



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## Course Description



This course discusses the theories, concepts and processes of family resource management. Furthermore, the basic concepts of management such as values, goals, needs, resources, decision making, problem solving on how a plan can be implemented are also discussed; implementation of resource management in the family; family well being and ends with how families face the digital age





## LEARNING OUTCOME

After completing this course:

1. Students are able to master the concept of family resource management
2. Students are able to analyze the management of various family resources critically, creatively, communicatively, collaboratively and by upholding character values
3. Students are able to plan the management of various family resources in various family life cycles





# LEARNING OUTCOME

**Students are able to explain and design financial management processes carried out by individuals and families.**





# MAIN TOPICS

1 The Importance  
of Financial  
Management

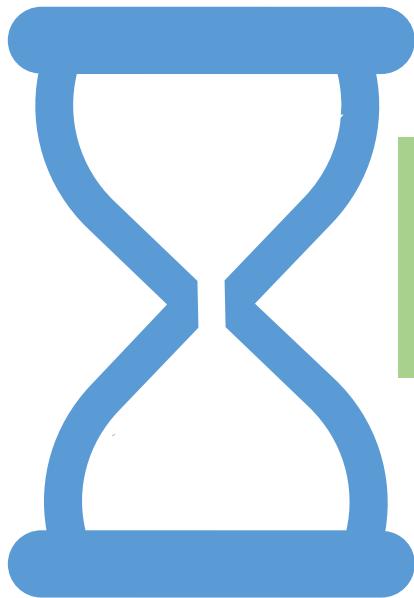
3  
Financial  
Management  
Strategy

2  
Financial  
Management  
Planning

Home  
Economics and  
Family  
Economics  
Issues 4

Financial  
Management  
and Security





## THE IMPORTANCE OF FINANCIAL MANAGEMENT



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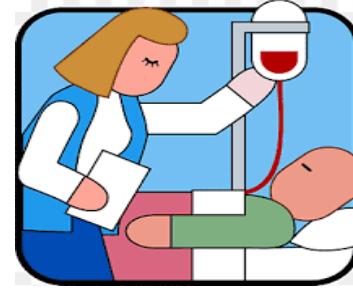
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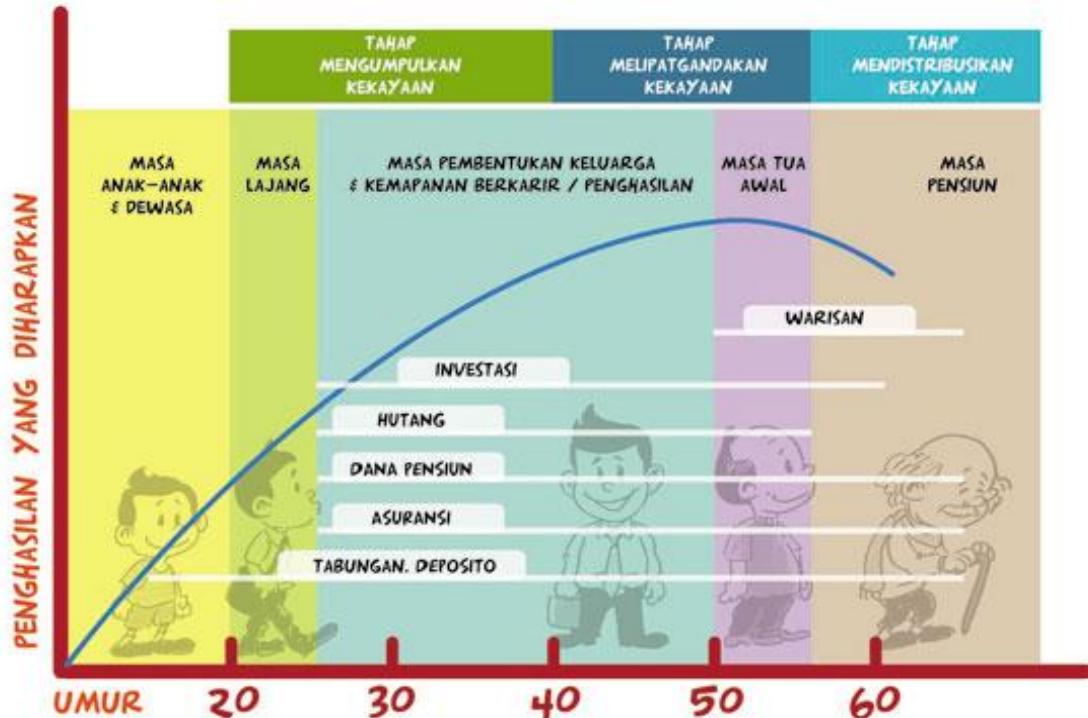
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Everyone  
makes  
financial  
decisions  
everyday



## SIKLUS KEHIDUPAN KEUANGAN



Fact.....

people's physical condition is not always healthy if sick, can't work to make money

The older you get, the lower your work productivity

The global economic situation can change at any time



**Consumer/family financial management**



# THE IMPORTANCE OF FINANCIAL MANAGEMENT

TribunJabar.id

Jumat, 14 Agustus 2020 | Cari

Home News Metro Bandung Jabar Region Bisnis Sport Ramadan Persil

Cirebon Purwakarta Kab. Bandung Kab. Cirebon Sumedang

Travel Akomodasi Kuliner Destinasi Shopping Tic

Home > Jabar Region > Majalengka

## Ribuan Istri di Majalengka Jadi Janda Baru, Angka Perceraian Pasangan Suami Istri Masih Marak

Kamis, 13 Agustus 2020 16:05

"There are various (causes), on average they come from economic problems and infidelity. So, indeed, the most frequently asked questions are because of the dispute," said Acep, when contacted by telephone, Friday (26/6/2020).

Amalan Indonesia

Hanya untuk Total Utang Kartu Kredit dan KTA Minimal 10 Juta di Bank Konvensional. Amalan Indonesia

OPEN

Home / News / Regional

## Diduga Terlilit Utang Pinjaman Online, Sopir Angkot di Padang Tewas Gantung Diri

Kompas.com - 14/02/2020, 16:25 WIB

BAGIKAN:

Komentar (3)

Don't Make Ads. Make TikToks.

TikTok For Business

GRIDSTAR

HOME HOT STAR STAR STORY HOT

Website Auto2000.Cek S

Auto2000

HOME / STAR STORY

## Putus Asa Terlilit Hutang Rp 26 Miliar, Artis Ini Nyaris Bunuh Diri Bersama Suami dan Anaknya: Biar Nggak Ngerasain Hutang Lagi!

Yulia Susanti - Rabu, 29 Januari 2020 | 20:00 WIB



## Facts from Student Survey

- 58.5% not counting balance
- 19.2% made unplanned purchases
- 43.1% pay debt > 20% (?)
- 50.8% don't save regularly
- 78.5% do not know the amount of income tax
- 30% if there is additional income not to increase savings
- 55.4% have no written plan

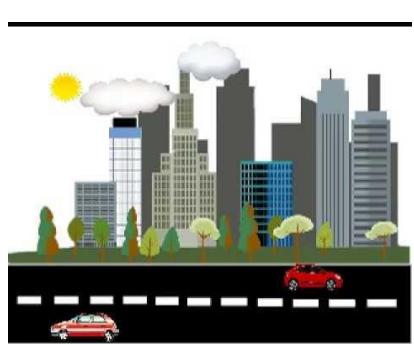


# OJK Survey Results in 2019



FL = 34,53%  
FI = 68,49%

Year	Financial Literacy	Financial Inclusion
2016	29,7%	67,8%
2019	38,03%	76,19%



FL = 41,41%  
FI = 83,60%

FL = 39,94%  
FI = 77,24%

FL = 36,13%  
FI = 75,15%



Financial Planning is the process of managing personal money to achieve economic satisfaction

Comprehensive financial planning can improve quality and life satisfaction





# Benefits of Financial Management

Increase effectiveness in generating, using and protecting financial resources throughout life

Controlling finances to avoid excessive debt, bankruptcy, and dependence on others for economic security

Improve personal relationships as a result of well-communicated financial decisions and plans

Get rid of financial worries by looking to the future, anticipating spending, and achieving economic goals

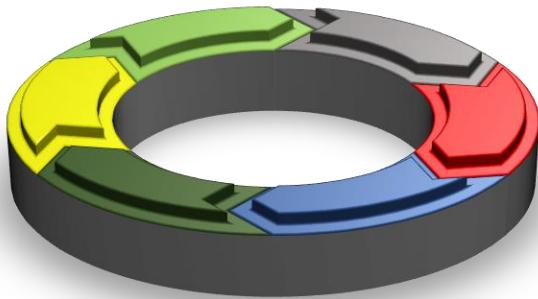
01

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04





# FINANCIAL MANAGEMENT PROCESS



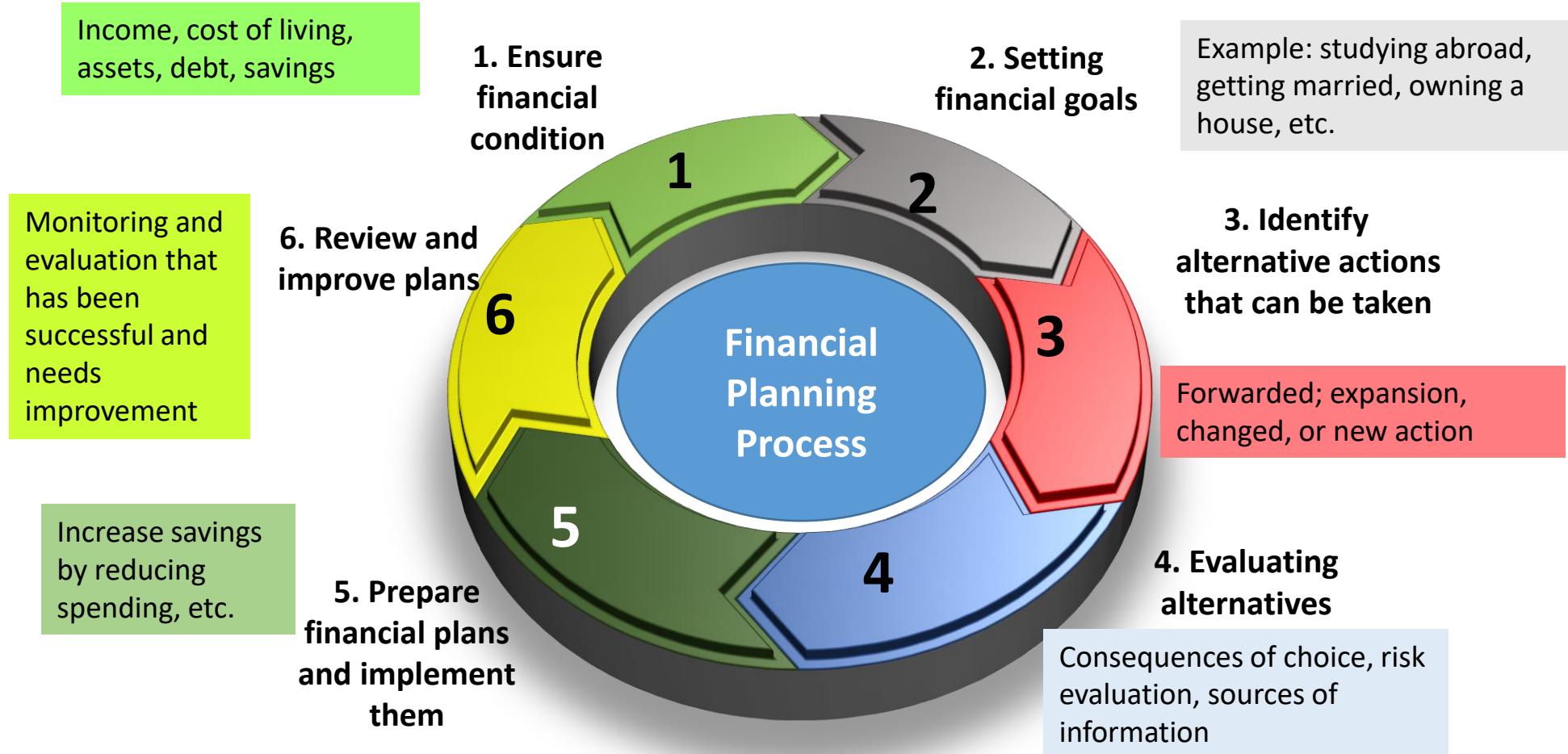
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Financial plan  
is based on...

- Goals & objectives
- Intricacies of financial life
- Needs
- Career
- Education
- Retirement plans





# GOALS

Financial  
management



Maximize  
**net worth &**  
**satisfaction**



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# GOALS...

Building  
emergency  
fund

Having health  
insurance

Buying a house

Getting  
married

Saving enough  
for your kids to  
go to college

etc...





# Critical Thinking



- Is there something special you are saving for?
- If not now, can you envision something in the future you will be saving for?
- How you are saving the money?
- How you are managing the money?





# Starting on financial management NOW



There is no better time than the present





# FINANCIAL MANAGEMENT STRATEGY



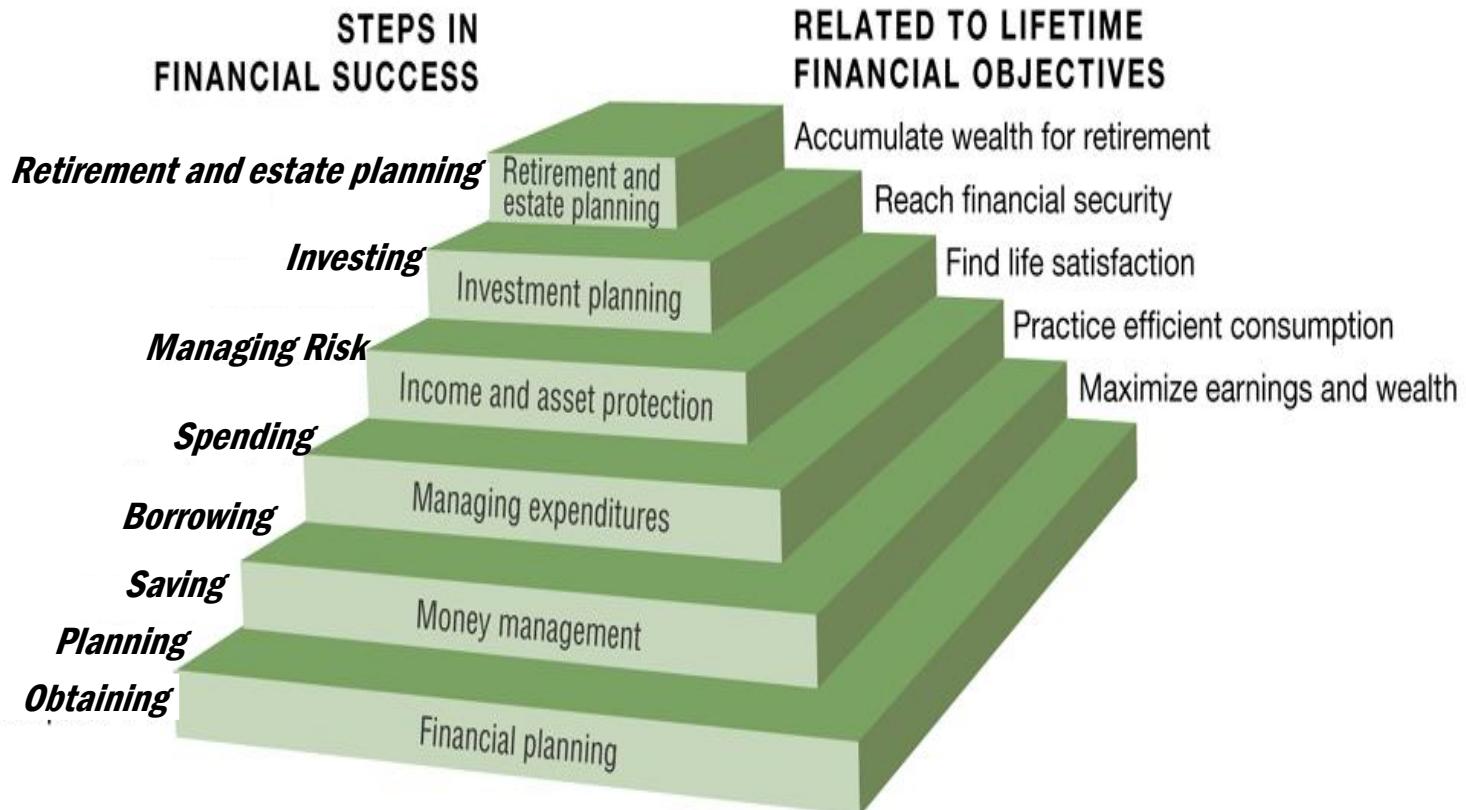
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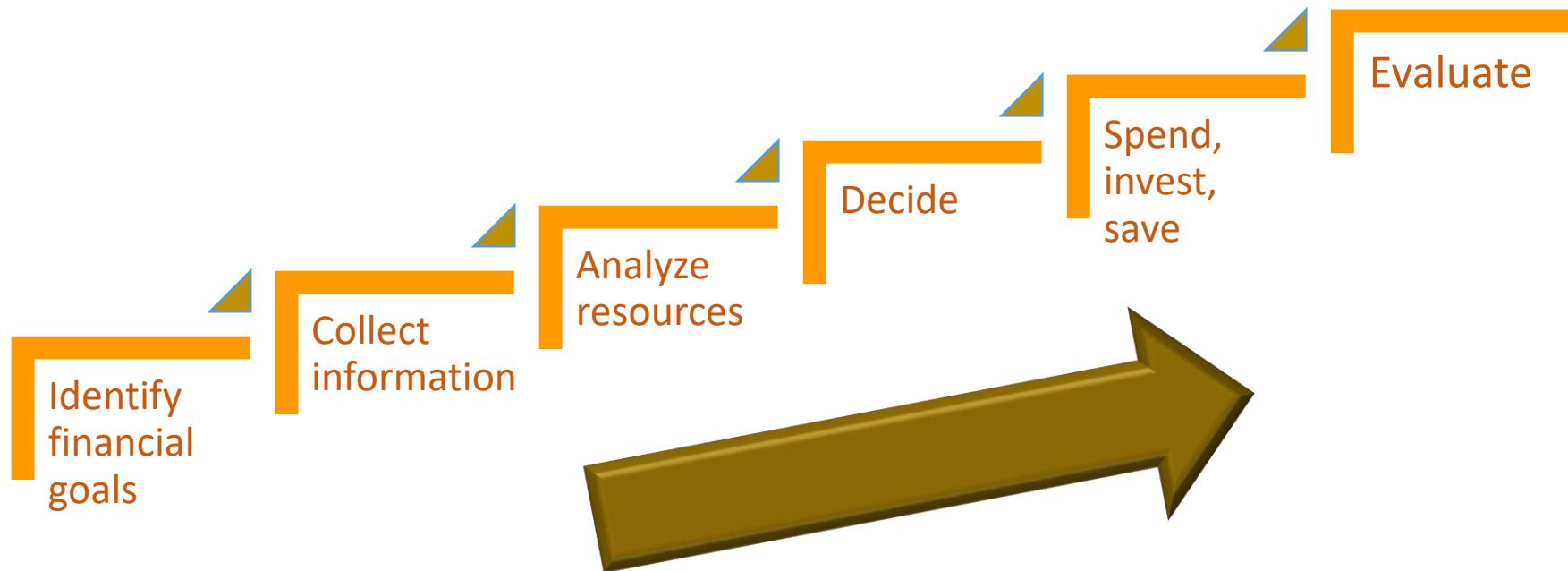


No.	Financial Planning Components	Decision Making
1.	Obtaining	<b>Income from work, investment, business</b>
2.	Planning	<b>Develop a plan to achieve goals, make a budget</b>
3.	Saving	<b>Financial security can be achieved by saving regularly for: emergency funds, unexpected expenses, buying dream goods, pilgrimage, traveling, etc</b>
4.	Borrowing	<b>Be wise in debt</b>
5.	Spending	<b>Spend according to plan, and no more than income.</b>
6.	Managing Risk	<b>Choose the right insurance</b>
7.	Investing	<b>Bonds, Mutual Funds, Stocks, cryptocurrencies, etc</b>
8.	Retirement and estate planning	<b>Happy in old age, can share and leave a good legacy</b>



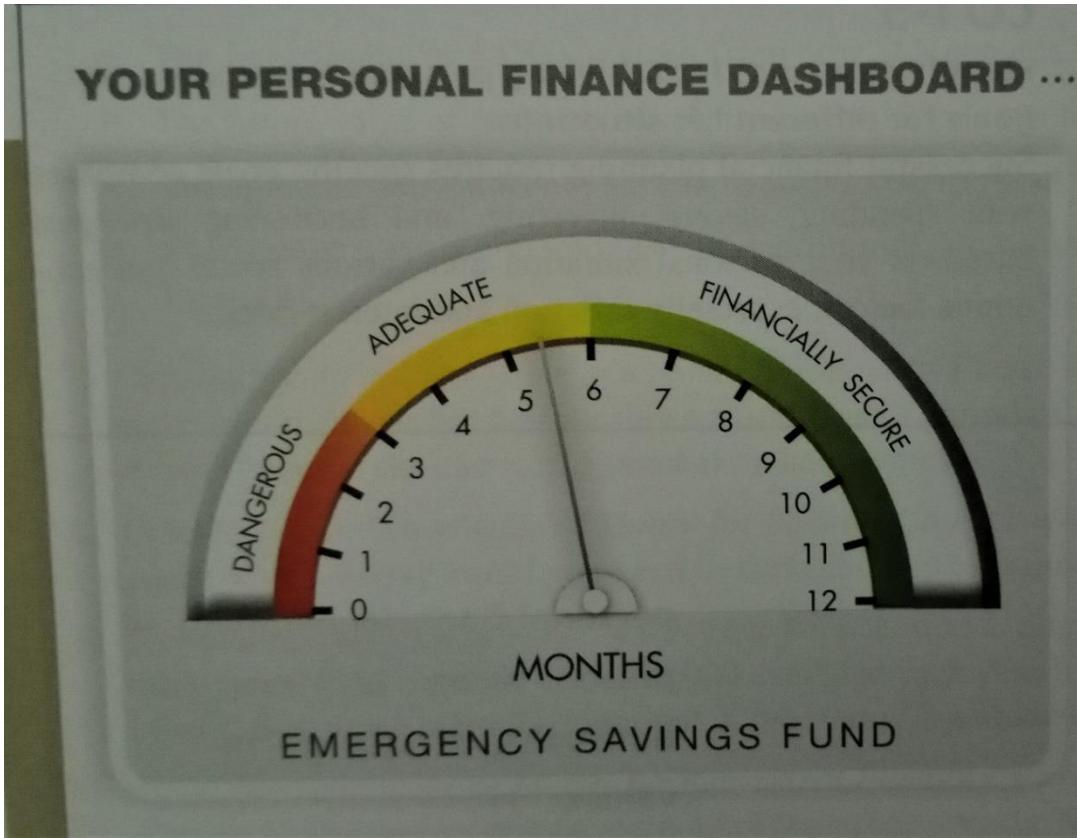


# Financial management model





# Emergency Fund



Kapoor, JR., Dlabay, LR., Hughes, RJ., & Hart, MM. (2015)



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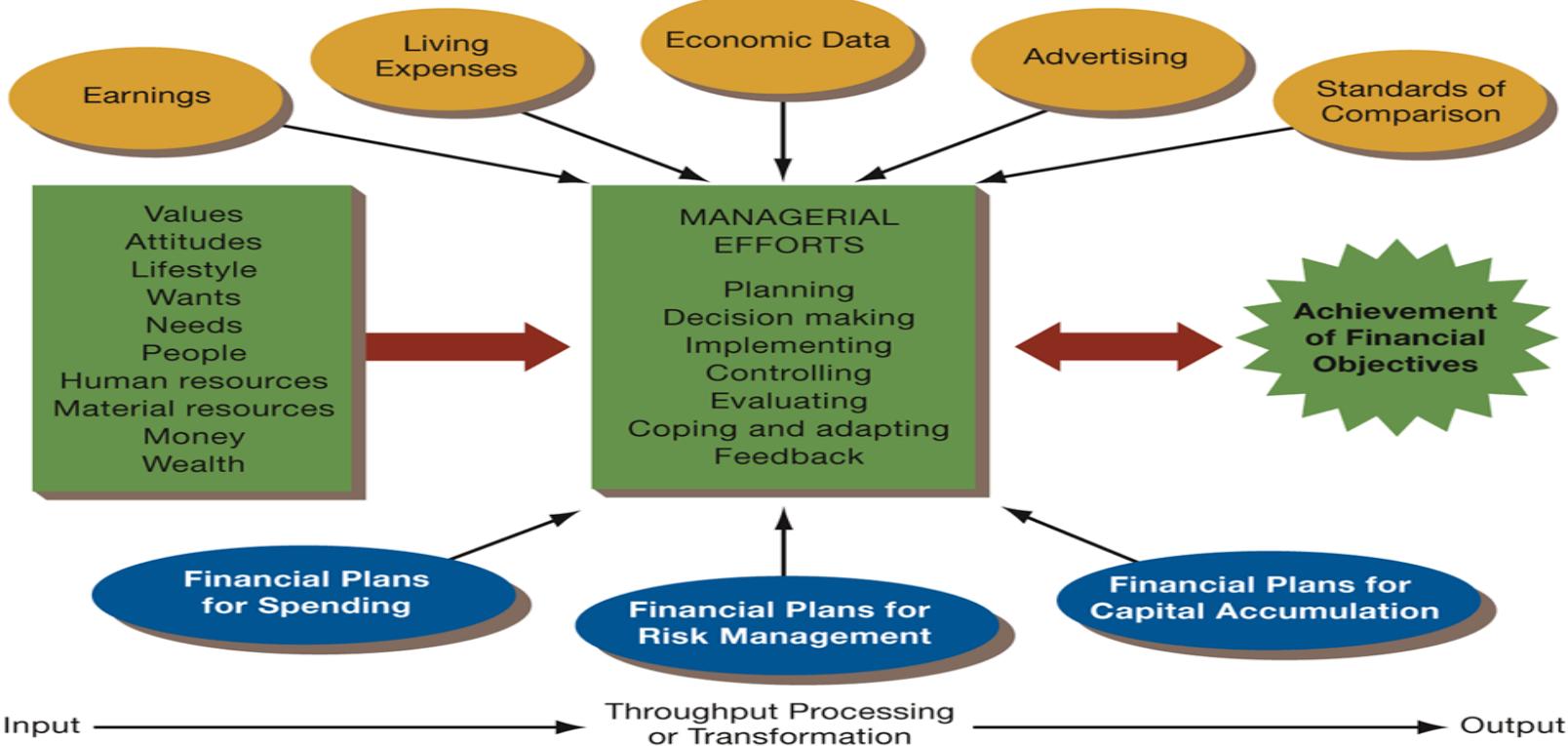


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# FINANCIAL MANAGEMENT STRATEGY



Garman, ET. & Forgue, RE. (2014)



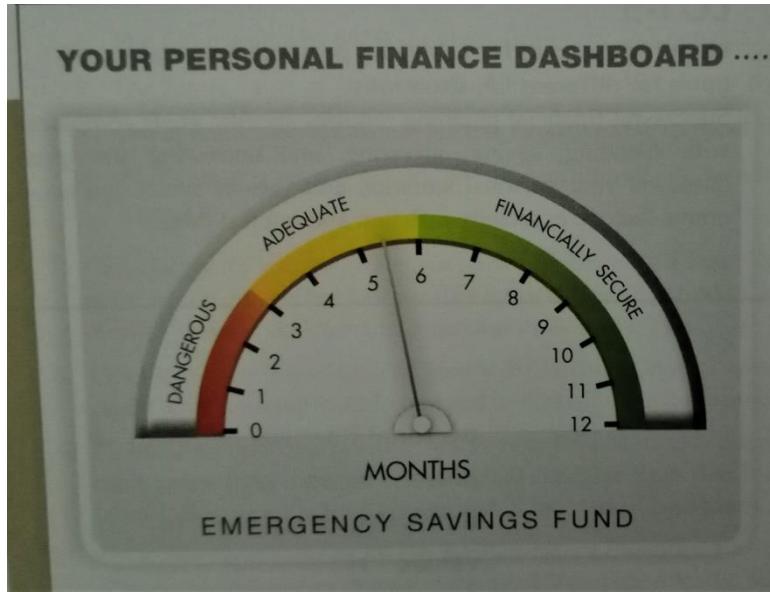
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# HOME ECONOMICS AND FAMILY ISSUE



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# FINANCIAL AND SECURITY

## Financial management

- The science or practice of managing money or others assets

## Financial security

- The ability to meet day-by-day obligations while planning, saving, and investing to achieve future financial goals





By building assets and managing debt, households are better able to contribute to the economic vitality of their communities  
  
(Lawrence et al. 2008)



# Economic vitality

**Economic Vitality :** a growing economy where people have jobs, pay taxes, and are buying and selling goods and services. - low unemployment, less people on welfare, etc





# Family Economics

The business cycle is made up three main parts :

- Recessions: A moderate and temporary decline in the economy
- Recovery: A hopeful stage when things are looking better, consumer buying, and confidence are up
- Expansion: Prosperity, high growth, an active economy

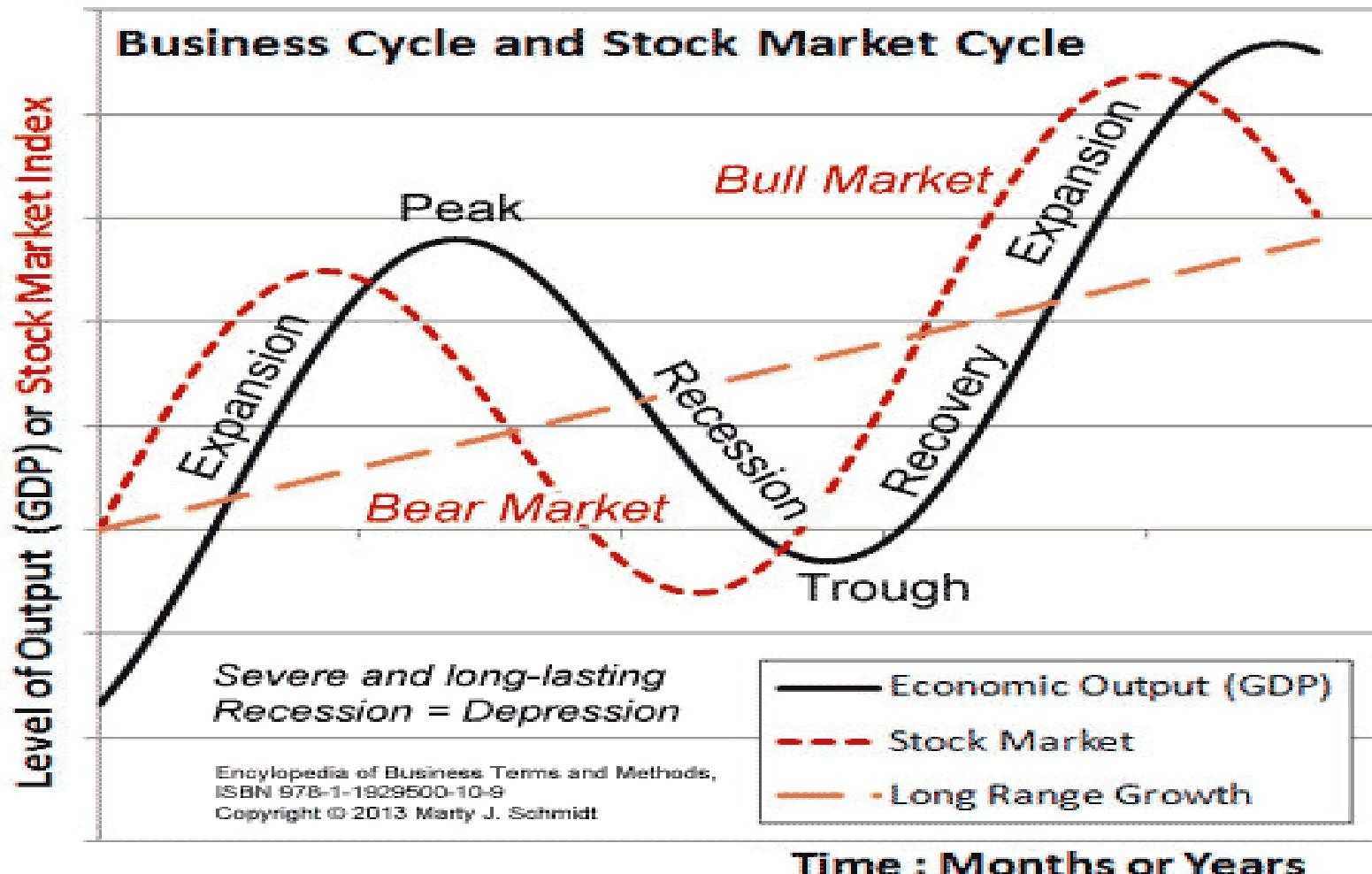
The  
business  
cycle and  
inflation

**Inflation >> rising prices**

**Low inflation >> price rise slowly >> good for consumers**



# Business cycle





“ Consumption decisions affect the present and future standard of living of an individual and family.

- An individual's or family's level of living is a measure of the goods and services affordable by and available to them
- Family produce children and transform raw products into finished products >> activities (gardening, cooking, & sewing)
- Family provide a variety of other goods and services (child care, home maintenance, health care, etc)

Individuals  
and families as  
producers and  
consumers

Standard of living  
what an individual or  
family aspires to

to standards of living





# Income, Taxes, Net Worth, Budgets, and Saving

## Income:

The amount of money or its equivalent received during a period of time.



The several different kinds of income:

- Discretionary income (regulated by one's own judgement)
- Disposable income (the amount of take home pay left after all deduction)
- Gross income (all income received that is not legally exempt from taxes)
- Psychic income (one's perception or feelings about income)
- Real income (reflecting the buying power of current dollars)





**Net worth:** subtracting what is owed (liabilities) from what is owned (assets)

**Net worth= total assets-total liabilities**

Net worth estimate should be made at least once a year



A person stands financially

**NET  
WORTH**





# Personal Financial Life Cycle

## Definition:

A personal life cycle attempts to summarise the key phases which all individuals go through during their lifetime matched with their changing financial needs.

There is a typical life cycle pattern that applies to most people.

Includes **three stages**





# The basic stages of financial life cycle

## Stage 1: Building wealth

- Individual should be focusing on building financial security.
- Income often is less than expenditures so debt often increases during this period of time.
- Yet individuals with debt often start the process of accumulating assets.
- Restructuring and retiring debt are important during this stage.

## Stage 2: Preserving and increasing the wealth

- Income typically > expenditures
- Individuals reduce debt by paying off their mortgages, and continue to accumulate assets.
- Because individuals need substantial amount of money for retirement, they still need to take moderate or prudent risk to earn a sufficient return to finance their retirement.

## Stage 3: Living on saved wealth and distribute the wealth

- After retirement most individuals will no longer have salary or wage income
- Pension & Social Security income only replace a portion of pre-retirement income.
- Many individuals draw down their assets to meet expenditures.
- Risk and return should be reduced as safety of principal becomes increasing important.
- However because of long life expectancy, portfolio continues to need some growth to meet long-term expenditures.



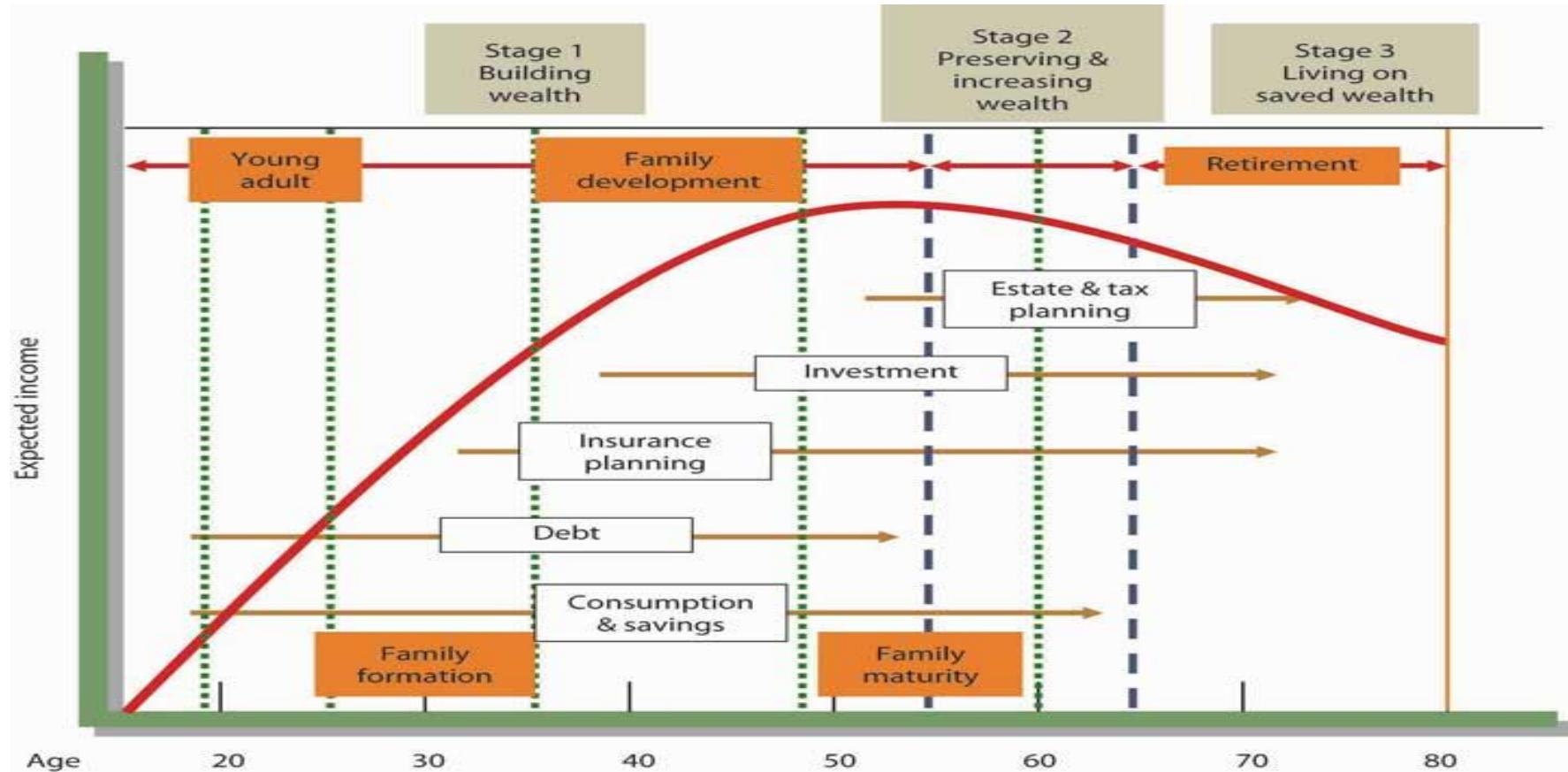


Figure Financial stages of life

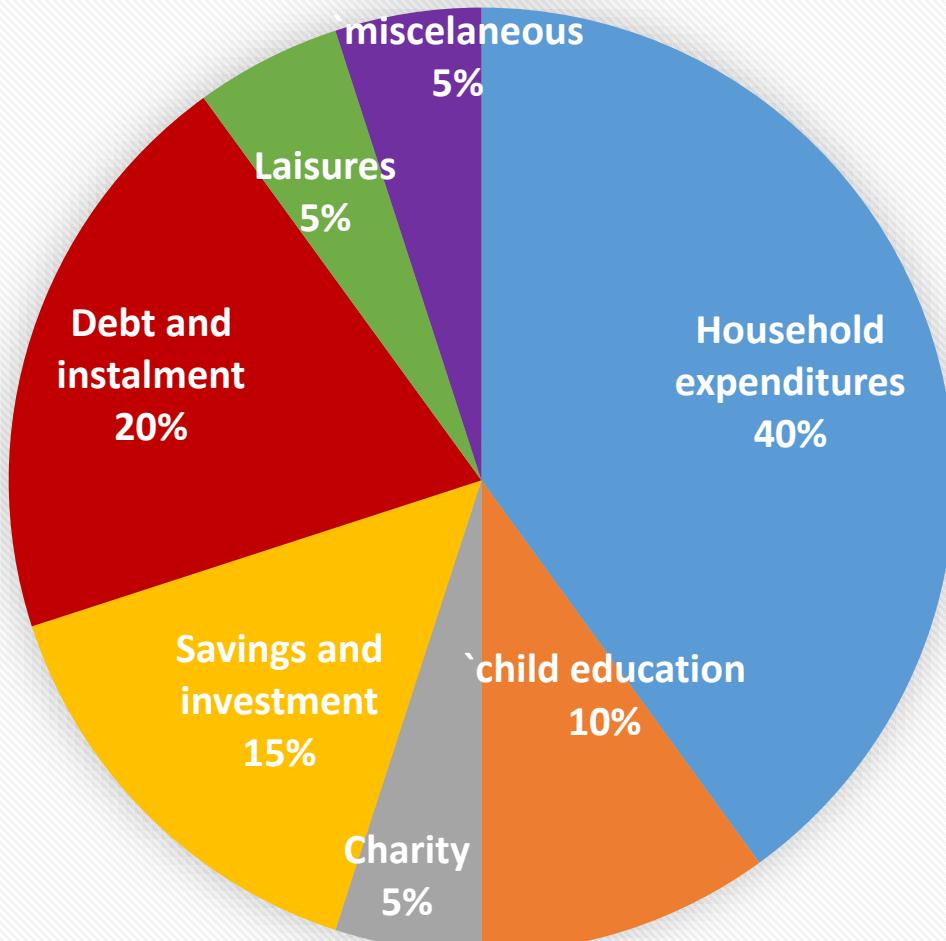
Source: University of Minnesota, (2016, p.634)

# ?? ? ? ? ? BUDGET ?

- Budgets are based on monthly average spending patterns
- The main source of income is wages and salaries
- Variable expenses: money spent on food, clothing, and entertainment
- Fixed expenses: rent and car payment



### Example of money allocation





# Saving...

One way to approach saving >>  
building an emergency fund of three to six months income.

Saving:  
makes future spending or investing possible

If individuals are having a hard time meeting monthly expenses  
they can:

**increase  
income**

**reduce expenses  
(outflow)**

**sell  
something**

**do a  
combination  
of all three**





Managing credit and debt

**Credits: an individual owes a certain amount of money**

Interest on credit card payments is usually higher than what individuals earn on their investments.



---

**Managing credit** is one of the biggest management problems individuals and families have.



# Reduce the chances of credit mismanagement:

- **Have only one or two cards**
- **Pay off credit cards on time full each month to avoid interest charges**
- **Know what the agreement says, seek cards with the lowest annual percentage rate (APR)**
- **Check credit cards carefully against receipts**
- **Keep a list of credit card numbers**



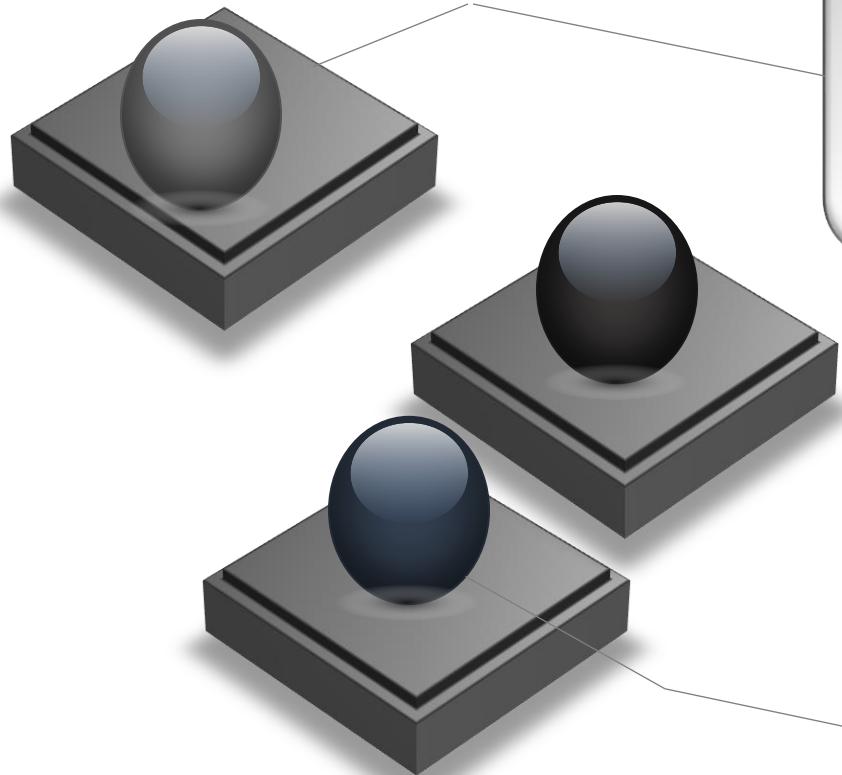


## Banking, investment, and insurance



- **Liquidity:** the speed and ease of retrieving cash or turning another type of investment into cash
- **Investment:** the commitment of capital to the achievement of long-term goals or objectives
- **Diversification:** having a mix of investments as way to spread risk across several categories
- **Insurance:** financial arrangement in which people pay premiums (payments) to an insurance company that reimburses them in the event of loss or injury.





Investing is a process that involves planning, money, information, time, and understanding risk

The purpose of insurance is to protect people and financial assets





## Children, expenses, and financial literacy



A time of significant change >> good time to establish values and skills about money management

Students are interested in social side of finances as well as in the changes economics brings to family finance

Raising children is costly too, one of the most expensive things anyone does





Child-raising can be divided into  
**7 main categories** (Wuorio 2003) :

- Housing (33-37%)
- Food (15-20%)
- Transportation (13-14%)
- Clothing (6-8%)
- Health care (5-7%)
- Education (7-11%)
- Miscellaneous (10-13%)





## Saving for college

- Financial aid programs >> scholarships
- Another alternative is setting up trust fund or investing money in children's names
- A college education is one of the best investments anyone can make





College  
students,  
starting out

Children need to learn that  
money is a tool (something to get  
what they want)

- One of most valuable assets >> earning power >> going to college
- Young professionals and college students are managing for more money, possessions, and credit
- College students have favorable attitudes toward credit cards as useful tools for managing money (Xiao, Noring, & Anderson 1995)





## Students can increase their financial literacy and economize by:

- Taking personal finance courses
- Living on less
- Working more hours
- Joining co-op programs or getting paid internships
- Applying for scholarships, fellowships, and work study opportunities





## Retirement planning

- The biggest decisions anyone ever makes is when to retire and once retired, how to manage daily life, and finances
- The main planning years are five years before retirement when a realistic estimation can be made of how much it will cost to live
- A factor affecting when to retire is the availability and affordability to health care and health insurance
- Part of retirement planning is estimating social security income.





**If children are called on to help aging parents,  
there are strategies to consider:**

- Buying something from parents
- Taking a tax deduction
- Keeping separate accounts
- Taking advantage of reverse mortgages





**Successful  
financial planning  
requires a  
conscious effort**

A financial planner looks at an individual's or a family total financial picture and helps that person or family develop a plan to achieve goals

**Financial  
planning**



# FURTHER FAMILY ECONOMIC ISSUES

- **Gender gap:** difference in earnings between men and women employed full-time outside the home
- Gender gap between men and women at younger ages < older generations
- The earning gap exist because of the gender gap and women work fewer years than men
- **Glass ceiling:** women can move up the corporate or can see the positions at the top that they want, but they cannot reach them

*The gender gap,  
earnings gap,  
and the glass  
ceiling*

## Wealth and poverty

**Wealth:** the state of being rich and having a high net worth

Wealth is not same as income

A person who earns a great deal of money but spends it all each year in **not wealth**

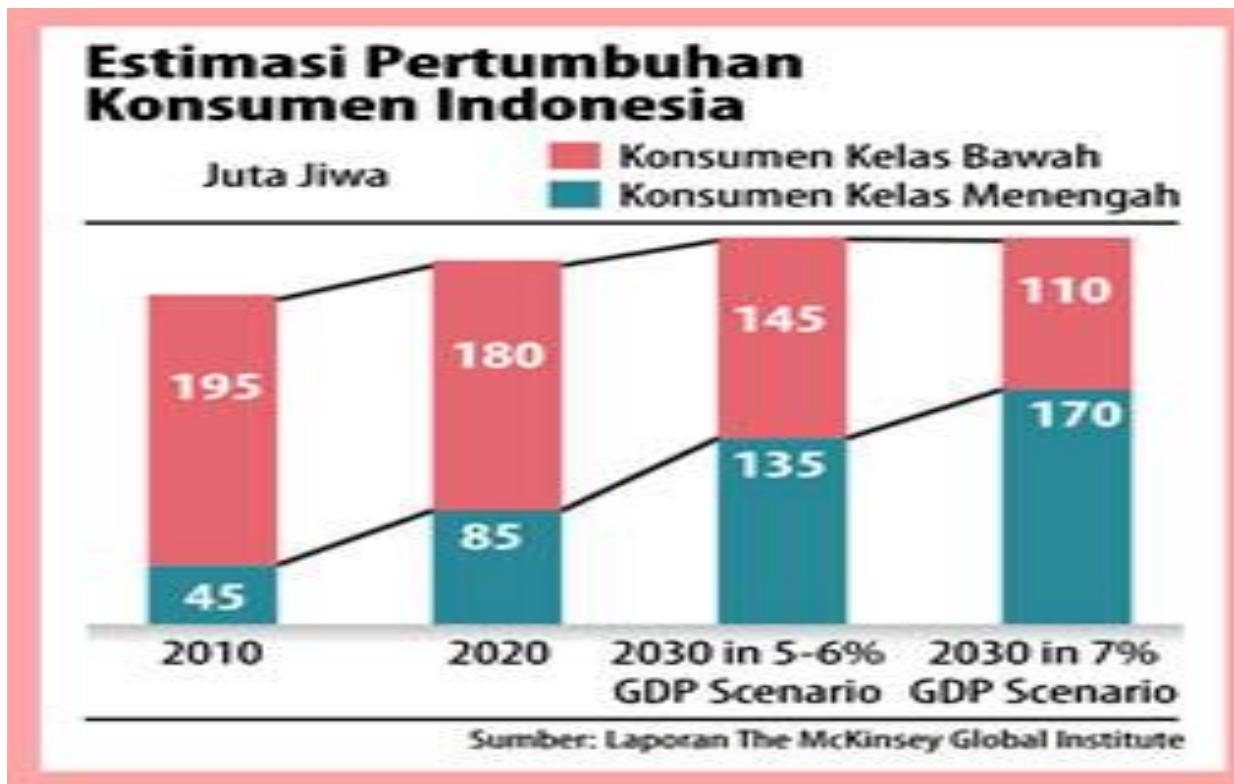


## The middle-class family

may be to educate the children and have a secure lifestyle rather than to accumulate vast wealth

The very wealthy who have an abundance of money, property, and investments, spend a great deal of time trying to retain their fortunes







# References

- Goldsmith, EB. 2010. Resource Management for Individual and Families, Fourth Edition. New Jersey: Prentice Hall.



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THANK  
YOU!

