



Financial Literacy for Everyone!

# MY ROAD MAP TO FINANCIAL INDEPENDENCE

Financial independence does not have to be a dream, it is within your grasp. Use these four instruments and make this dream a reality.

• **Budget** • **Insurance** • **Savings** • **Credit**

These tools are designed to empower you on your journey to financial freedom. Use them to build a solid future for you and your family

*Manage your money, don't allow it to manage you!*



## 1. BUDGET

A tool that helps us better manage our money. It's the first step towards achieving financial independence.

### COMPONENTS:

- A CASH FLOW keeps track of the money that has entered and the money that has left our hands over a certain period of time
- To reach financial independence, it is important to know our financial goals
- The budget is a plan of how to spend, save and invest our money to reach our goals

### ADVICE FOR SETTING GOALS:

- Think about your 15-year plan. Where do you want to be?
- Set achievable and incremental goals, keeping in mind your income and obligations
- Assign a priority to each goal; starting with the most important ones

### ADVICE FOR DESIGNING AND MAINTAINING A BUDGET:

- Your budget should be realistic and flexible
- Put the budget in writing
- Know the difference between the things you want and the things you need
- Be disciplined; stick to the budget
- Pursue additional streams of income



## 2. INSURANCE

Insurance protects you and your family against the risks of an uncertain future—it is like a financial safety belt

### COMMON INSURANCE PRODUCTS:

- Health Insurance
- Life Insurance
- Property Insurance
- Motor Vehicle Insurance

### ADVICE ABOUT INSURANCE:

- Know the conditions, coverage and benefits of the policy
- Never stop paying the insurance premium, It might be cheaper to make a single premium payment (annually) rather than pay monthly
- Consult with more than one financial advisor before choosing a product or option
- Stay informed about the status of your policy and the options for changing, canceling or renewing it



### ADDITIONAL PROTECTION OFFERED BY INSURANCE:

- College Education - College is expensive, insurance proceeds can ensure that college loans are paid even if you are not there to help
- Pay estate taxes and create estate liquidity. When an estate is inherited certain taxes must be paid and life insurance may be able to cover your estate costs



## 3. SAVING

The act of creating, maintaining and increasing the value of assets or income over a period of time. It helps us achieve financial goals.

### PICK THE MOST SUITABLE TYPE OF ACCOUNT:

- Chequing Account: comes with cheque book or a debit card
- Savings Account: pays interest, an ideal short or medium- term option
- Long-Term Share Account: a higher interest-bearing tax-free investment account (must be held for at least 5 years to get tax- free benefit)
- Contractual Savings Account: one in which you regularly deposit a fixed amount of money for a specified period of time. It pays interest at a higher rate

### ADVANTAGES OF SAVING WITH A FINANCIAL INSTITUTION

- Your money is safe
- Interest is paid on your savings - this helps your savings grow faster
- Access to other financial services and benefits

### ADVICE FOR SAVING:

- Pay yourself first - save a minimum of 10% of your monthly income
- Create an Emergency Fund consisting of 3-6 months living expenses
- Saving for retirement should commence as soon as you acquire your first job

### WAYS TO SAVE MONEY:

- Design and maintain a budget - the best tool for saving
- Buy wholesale, it is cheaper
- Make a list before going shopping and do not buy anything that is not on the list
- Take advantage of sales and discounts

**“Saving is the fuel for investment: because the wealth of a nation is dependent on the savings of its people.”**

*Mr. Earl Jarrett, CEO, JN Group*





## 4. CREDIT

Money that is loaned by a creditor— it helps us make investments.

### SOME CREDIT PRODUCTS:

- Consumer loan: A sum of money that a creditor loans to a borrower for purchasing goods
- Investment loan: A loan used for starting or improving a business, or for other type of investments like education, and property acquisition.
- Home loan: A loan for improving a home or for taking out a mortgage on a new house
- Credit card: A renewable credit line in the form of a plastic card. It is used to make purchases in stores that accept cards or to withdraw cash from an Automated Teller Machine (ATM)

### THE BENEFITS OF FORMAL CREDIT ARE:

- The ability to invest in necessities
- Establish a credit history
- Access additional services from financial institutions
- The ability to invest at greater levels

### ADVICE WHEN ACCESSING AND USING CREDIT:

- Payments should not surpass 20% of your monthly income
- Read and fully understand the terms and conditions of the contract
- Pay credit card bill in full each month to avoid interest payment
- If your credit card is stolen, immediately call the bank to cancel it
- Borrow to acquire assets which generate income or assets which appreciate, not consumables



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