

# earnest.

A Guide To Your Financial Journey



A personal finance e-book by  
 **Metrobank**

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First edition, November 2024

# Getting better with money starts here



Welcome to Earnest!

Because you downloaded this e-book  
you are on your way to putting your  
financial journey on the right track.

We have seen how much Filipinos now are more aware of the need to get their finances in order. And while we've been providing education and business insights to our customers as part of our mission (*we come from a trusted bank, after all*), we've observed that a lot of content about money has made its way to various social media channels and the internet, potentially confusing the public.

This is why we decided to create Earnest. This e-book aims to compile a comprehensive and credible body of information about managing your money, so you become financially secure and resilient. *And you sleep better at night.*

## **A book that grows with you**

Earnest is an e-book that adds a new chapter every month with each chapter building on the previous one. So, you get a guide that handholds you as you get better and more comfortable with financial concepts.

Think of the Earnest e-book as your favorite streaming TV show—much like new episodes becoming available to you after a week or so, new chapters are published and made available to you every month. Of course, we will inform you by e-mail when new chapters arrive. But do check [The Earnest microsite](#) too, as we provide you with updates, new information, and resources to make learning fun.

## **We want to hear from you**

As you dive into Earnest, we would be happy to hear from you. Let us know what you think about this e-book, or if you have suggestions—your comments are welcome! Drop us an email at [earnest@metrobank.com.ph](mailto:earnest@metrobank.com.ph).

Let's get started.

The Earnest Team | @Metrobank



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## **GLOSSARY**



*Knowing yourself is  
the beginning of all wisdom.*

- Aristotle

CHAPTER 1

# Managing Money:

## A Journey We All Take\*



\*whether we admit it or not

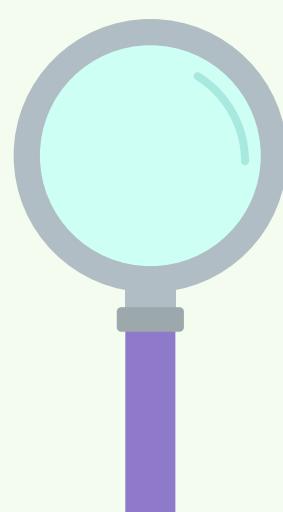
## What you will learn from this chapter:

- You're not alone in your money struggles. It starts with knowing
- Bad money habits and the consequences of making poor money decisions
- The influences behind your attitude towards money
- The key areas of financial health

R

aise your hand if you can relate: Do you feel frustrated by the ever-growing list of your day-to-day living expenses? Are you stressed every time you have to open your billing statements? When was the last time you looked at your savings, without that feeling of dread?

If any of these questions made you feel uneasy, take a step back, and allow us to help you achieve financial wellness. This means having control over your money, making responsible money decisions, and meeting your financial obligations.

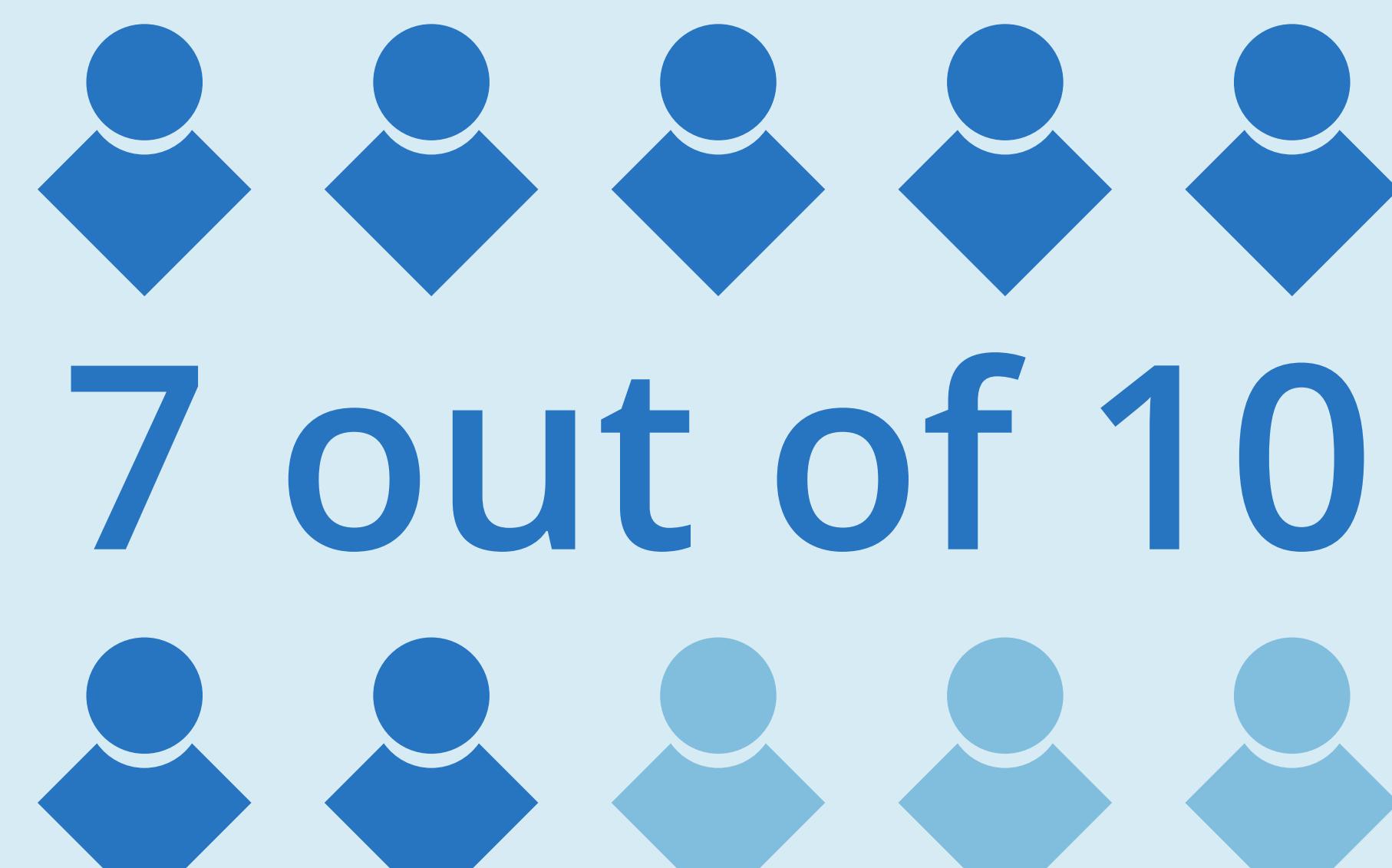


### FINANCIAL WELLNESS

Financial wellness is your overall emotional state about your financial situation—that is, your money relationship.

Of course, achieving it is not a walk in the park. And you're certainly not alone in your money struggles. As it turns out, it's more common than you think!

A [study](#) says 7 in 10 Filipinos continue to struggle with debt, while 55 percent of consumers still have a hard time paying for food and other necessities.



**Filipinos are struggling with debt**

Source: [70% of Filipinos stressed by debt](#)

On financial security, the numbers are also worrisome. Another [study](#) done during the height of the pandemic revealed that only half of Filipino households can cover necessary expenses for two weeks if they lose their income.



**5 in 10 Filipino households can only survive for two weeks if they lose their income**

Source: Impacts of Covid-19 on Households in ASEAN Countries and Their Implications for Human Capital Development

Based on these numbers, it seems the average Filipino has yet to crack the code when it comes to managing his or her money.

Don't lose hope! We'll let you in on a little secret: Financial wellness knows no age, gender, or earning capacity. It's not only for those who are doing well financially, and it doesn't have to be a once-in-a-lifetime chance. Just as anyone can start, anyone can also start over.

And don't worry if you're not sure where to begin—this is what this e-book is for! Figuring out the steps is part of the journey, and we're here to guide you all the way.



## The Consequence of Being Lost

**These are the downsides to  
making poor money decisions.**

**W**e can all agree that achieving financial wellness doesn't happen overnight. It's normal for people to suffer the consequences of their poor money decisions before deciding to act on them. Tell us: Which of these scenarios are you currently experiencing?



## You borrowed money and can't pay it back

Are you guilty of treating loans, credit, and other people as a safety net? It's best to change that mindset before it does you more harm than good! If you keep using your credit card or borrowing money to bail yourself out, you're bound to get stuck in a vicious loop of growing debt every month.

## You feel helpless during emergencies

You shouldn't be pressured into setting aside the money you may not have. But it's not an excuse to not have emergency funds either; you don't want to be exposed to situations that are hard to bounce back from, such as emergency household expenses, car troubles, or an unexpected trip to the hospital.

“

If you keep using your credit card or borrowing money to bail yourself out, you're bound to get stuck in a vicious loop of growing debt every month.

## You dip into your emergency fund just to keep up with the expenses

Setting aside funds to keep you going on a rainy day is important. Have a separate fund that covers your utility bills, food, and everyday expenses. Money for expenses and emergency funds are not the same.

You need a regular source of income that gives you peace of mind and stability, while the emergency fund gives you confidence and protection from a crisis.



## You haven't saved enough to take a break, leave a job, or retire

Thinking of leaving your job and going on an extended break in La Union or Baler? Make sure you have enough savings to sustain your lifestyle. Your R&R time should recharge your battery, and not drain your wallet. The last thing



you want is to worry about the financial burdens of taking time off!

## You feel pressured about money all the time

You should strive to get out of living from paycheck to paycheck. Recent events like the pandemic have taught us that money matters are beyond our control. So let's do our best to know what we can control and build discipline when it comes to spending.

If you find yourself in any of these situations, now is the best time to start asking questions about financial wellness.

“

Money for expenses and emergency funds are not the same; you need a regular source of income that is meant to give peace of mind and stability, while the emergency fund gives you confidence and protection from a crisis.

# 10 BAD PINOY MONEY HABITS

Don't let these poor money decisions weigh you down.

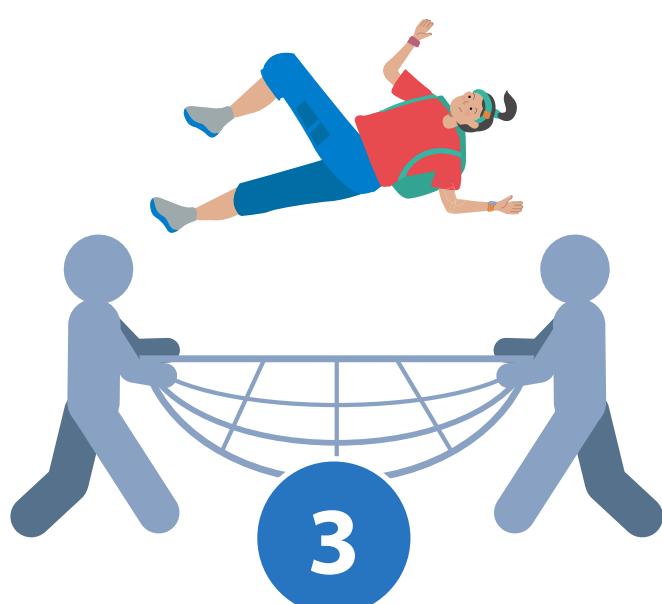


1

Spending beyond your means just to keep up with others

2

Treating kids as a "retirement plan" or "return on investment"



3

Relying on a family member to be your safety net

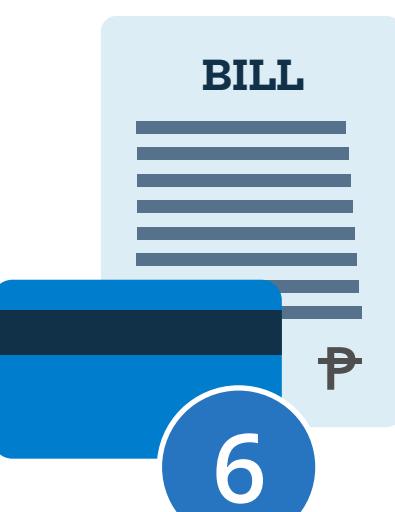


4

Waiting on bonuses to pay off a debt

5

Taking on multiple loans all at once



6

Paying the minimum on your credit card bill

7

Paying for subscriptions you don't use



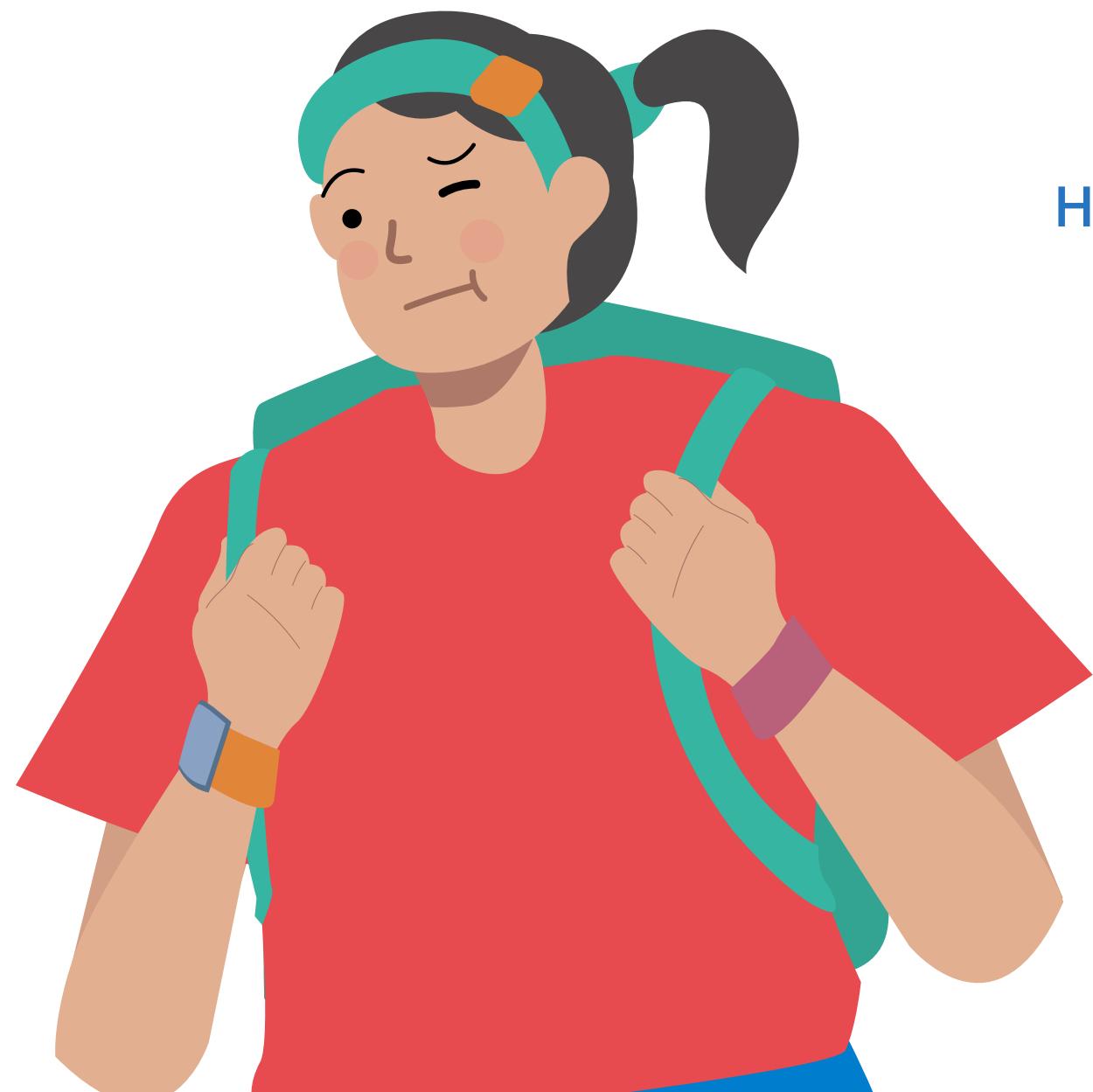
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Keeping all of your money at home



9

Overspending during sales and promos



10

Having a "bahala na" mindset when it comes to money





## It Starts at Home

Everything you know about money is in your environment.

**N**ow that you know the consequences of poor money decisions, the next step is to understand the factors that influence your behavior. Check these items below and see whether any of them ring a bell.

### **The things you learned from your family**

Are you one of those people who belong to a

family of big spenders? Are your parents more cautious with their money than others? Wherever you are in the spectrum, some of the money lessons instilled in your mind today were likely taught at an early age. No matter how many times you attend a financial literacy program, if the concepts are not honed, practiced, and encouraged at home, they remain ideas that no one acts on.

## **The movies, shows, songs, and magazines you love**

Whatever you read, watch, or hear has always celebrated the idea of experiencing the finer things in life—from the most beautiful homes to the fanciest gadgets—all of which fuel your desire to spend and flaunt regardless of your financial situation.

## **Your social media feed knows what you like**

Don't be a victim of the algorithm. Your Facebook, Instagram, and TikTok feeds are designed to show things that are likely to



interest you, often resulting in FOMO (fear of missing out), a feeling that you “need” a certain kind of lifestyle—even more so when your favorite celebrities and influencers tell you which brands to buy and restaurants to try!

### **It's the company you keep**

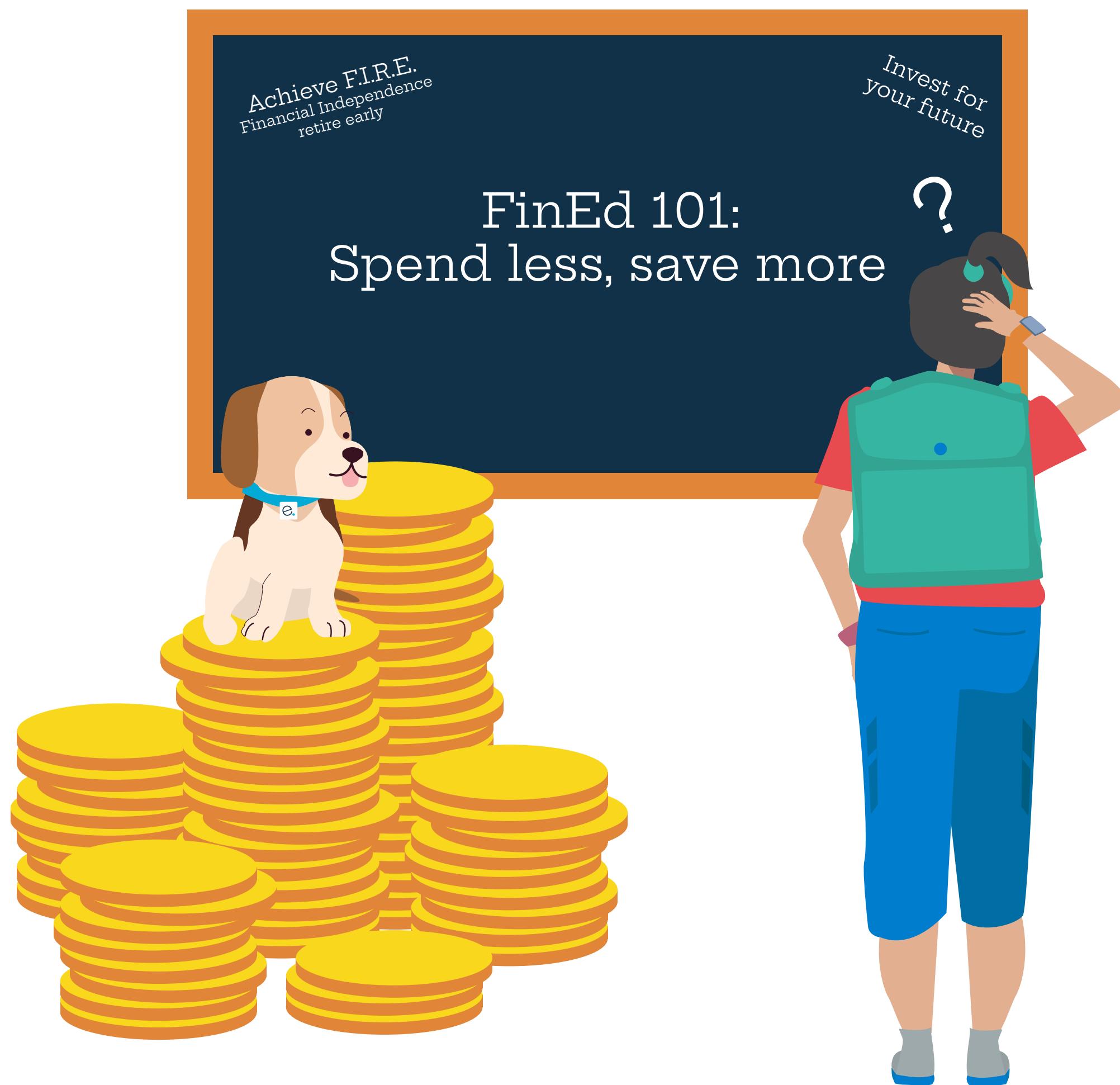
Take a good look at the people you spend time with at home, in school, or at work: Do you feel pressured to keep up with what they want to do? Depending on your social circle, when it comes to money, you’re either expected to go big or go home.

### **It's hard to ignore your emotions**

Whether you admit it or not, your spending behavior may also be driven by emotions, such as bringing a childhood dream to life (planning the perfect wedding), celebrating big wins (treating yourself for a job well done), and dealing with bad days (ever heard of retail therapy?).

“

No matter how many times you attend a financial literacy program, if the concepts are not honed, practiced, and encouraged at home, they remain ideas without anyone to act on them.

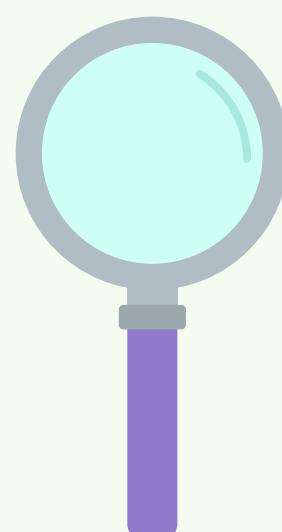


## Back to Basics

Spending is not the only thing your money is good for.

**F**inancial health depends on whether you understand how money works in different aspects of your life. You may be wondering: Why am I learning about it just now?

### FINANCIAL HEALTH



Your overall financial health hinges on how you manage your money. This includes how you budget (save and spend), how you invest, how you insure your assets, how you plan your retirement, and other financial components in your life.

This is why this e-book is very important; you want to equip yourself with as much knowledge as possible to make informed money decisions and minimize your losses as you learn what works for you. It starts with knowing the key areas of managing your money, which we'll delve into below.

- **Income: The money you're making**

Your income covers all the money you take in from different sources, from your monthly salary and bonuses to earnings from your side hustles and investments.

- **Expenses: The money you're spending**

Your expenses pertain to the money that you spend to sustain yourself. Control over how much you spend means you have more money for savings, investments, and insurance.

- **Savings: The money you're setting aside**

Your savings refers to money from your income or investments that are meant to be set aside for your future. These funds serve their purpose when you encounter both planned and unplanned expenses.

- **Investments: The money you're growing**

Your investments are acquisitions that entail money, to earn or save for the future. When done right, investing in businesses, stocks, bonds, or other similar money instruments provides a great rate of return, which in turn, can be your retirement fund.

- **Loans and Credits: The money you're borrowing**

A loan gives you access to a fixed amount of money at the beginning of a specific transaction, such as buying a new home or car. On the other hand, credit allows you access to any amount of loaned money you need at any given time, such as converting your credit card limit to cash. Both are meant to be paid back—plus interest—within a specific period. Interest is the “cost of convenience” for having access to money now than later.

“

When done right, investing in businesses, stocks, bonds, or other similar money instruments provides a great rate of return which, in turn, can be your retirement fund.

- **Insurance: The money that protects you and your loved ones**

This is a contract, represented by a policy, meant to protect you and your family from unplanned events in life. These life events can be anything from medical emergencies to catastrophes, and even diseases that can impact your earning ability. Insurance is also used to protect your assets, such as your home, car, and for some, wealth.



- **Retirement: The money you set aside for your golden years**

This is money or funds to help sustain the lifestyle you want when you choose to retire from work or when you are in your senior years. With the rising cost of goods in the Philippines, it is best to supplement your retirement money with other savings and investments. Ultimately, your money can either be used as currency (something that can be spent or saved), or as an asset (something that can help grow your money and build wealth).

# THERE'S NO ONE FORMULA FOR FINANCIAL WELLNESS

Below are money lessons from people who learned them the hard way.

## DON'T SETTLE FOR ONLY ONE SOURCE OF INCOME.

"It helps to disclose these things to people you trust so that you don't miss out on valuable advice that could help you manage your money better. It helps you make informed decisions."

- Product Marketing Assistant, 26

"I have a day job that pays the bills, but I was only able to grow my money once I started accepting freelance work on the side. It allowed me to invest in a coffee shop. There's no pressure to break even right away since I have other sources of income."

- Creative Director, 36

## IT'S OKAY TO TALK TO OTHER PEOPLE ABOUT MONEY.

## A BIG SALARY DOES NOT TRANSLATE TO SUCCESS.

"I thought my money problems would go away if only I was earning more. But your lifestyle and responsibilities change over time, and so do your expenses. It's not about how much you're making, but how smart you are with money."

- Social Media Manager, 34

"If you encounter an emergency that requires money and you're not prepared for it, you're likely to end up deep in debt, which is very hard to recover from. You'll thank yourself later for having an emergency fund."

- Senior Account Executive, 43

## MAKE SURE TO SET ASIDE FUNDS FOR EMERGENCIES.

## START AS EARLY AS YOU CAN.

"This is a lesson that holds especially true now that I'm older. While you're young, build your savings, invest in something you believe in, and don't splurge on things that have no value in your life in the long run."

- Office Manager, 54



# Shortcut

## HERE'S EVERYTHING WE'VE COVERED SO FAR.

- The average Filipino has yet to crack the code when it comes to managing their money, with 70% of consumers admitting they continue to struggle with debt.
- Bad money habits, such as having a “*bahala na*” mindset when it comes to money, are hurting your chances of achieving financial wellness.
- Those who make poor money decisions are more likely to struggle with debt, have little to no savings, and constantly feel under pressure, among others.
- Whether good or bad, it’s likely that your spending behavior is influenced by any or all of these factors: family, media, celebrities and influencers, culture, and emotions.
- The journey to recovery starts with the seven key areas of financial health: income, expenses, savings, investments, loans and credit, insurance, and pension.
- There’s no special formula to financial wellness, as evidenced by the money lessons shared by the people we interviewed for this e-book.

## READERS' SECTION



# How Disciplined Are You With Your Money?

Let's start with an easy one: Encircle all the good money habits that you practice now. Doing so will give you a better perspective of your financial health and help you determine where you're thriving and lacking.

		
I set aside money for savings regularly	I have little to no credit card debt	Bills and loans are paid on time
		
I have multiple sources of income	I don't rely on others to pay for expenses	I don't purchase anything on impulse
		
Income and savings are on track	I do research before a big purchase	I have insurance that covers different aspects of life
		
I have enough savings to retire or take a break	I rarely deal with unexpected expenses	I don't feel pressured to keep up with others
		
I don't dip into savings just to get by	I am not easily swayed by sales and promos	I know when to hit "pause" on spending

JOURNAL

# What's Your Financial Situation?

Use this space to evaluate yourself and reflect on where you are in your financial journey. There are no right or wrong answers here, so just be as honest as possible!

How is your financial situation right now?

What are the issues that get in the way?

Based on what you've learned,  
how can you improve your situation?

The lessons from this chapter will prove vital as we move along, so before we proceed, feel free to browse through everything again.

Next up: it's time to get you acquainted with your own financial health and help you determine the current state of your money situation, such as your income, savings, debts, and investments. Congrats on taking the first step!





**Alice:**

*"Would you tell me, please,  
which way I ought to go from here?"*

**The Cheshire Cat:**

*"That depends a good deal  
on where you want to get to."*

**Alice:**

*"I don't much care where."*

**The Cheshire Cat:**

*"Then it doesn't much matter  
which way you go."*

- Alice's Adventures in Wonderland  
(Lewis Carroll, 1865)

CHAPTER 2

# Where are You in Your

# Financial Journey?



## What you will learn from this chapter:

- How the COVID-19 pandemic changed the way Filipinos view financial health
- How to assess your financial health using a simple questionnaire
- Some tips on your next steps towards being financially healthy
- The signs that you're financially healthy

**T**he thing about personal finance is that it's very similar to your physical health. They share these characteristics:

1. You know that you can always do better.
2. You're often unaware of a grave situation until it's too late.
3. There's always a nagging feeling that something is not as it should be.

With all the changes in our country and around the world, Filipinos are more stressed and anxious than ever about their financial situation.

During the COVID-19 pandemic, a **study**, by the research firm Forrester Consulting, revealed that 70 percent of Filipino consumers struggled with managing their debt.

That same study said 58 percent of Filipinos don't know how to start saving, and 60 percent don't know where to get reliable insights on managing their money. The lack of information and support only contributed to their anxiety.

A Metrobank study also confirmed that Filipinos' financial worries are worse than ever. On the bright side, the effects of the pandemic are motivating Filipinos to act decisively.

## WHAT ARE FILIPINOS WORRIED ABOUT NOW?

1

Not having enough savings to help them deal with uncertainty



2

Losing their livelihood or income



3

Looking for other sources of income to cover for loss or reduction of household income



4

Paying off their loans



5

Avoiding illness and having coverage in case they get sick



Source: Market Research, Metrobank. Brand and Consumer Studies, 2022

The good news is that taking care of your financial health makes everything easier. After all, good financial health affords you the things you need for your physical, mental, and emotional well-being.



Recall that financial health hinges on how you manage your money, such as budgeting, investing, securing assets, and other financial components in your life. In turn, financial wellness reflects your overall emotional state.

Some wealthy people experience heavy financial stress, while some low-income folks feel secure and satisfied with where they

stand financially. Thus, financial wellness has less to do with how much money you have than with your attitude and capabilities. Can you stick to your budget? Can you handle an unexpected expense? Do you feel overwhelmed, or do you feel inspired when you think about money?

“

Financial health is about money; financial wellness is about a person's emotional relationship with that money.

If you're unsure about weathering those unexpected financial challenges, without turning to debt, then your financial health might be at risk.

The best thing you can do today is to prioritize improving your financial health.



We struggle with poor financial health, but we're always treating the symptoms instead of the root cause. Instead of focusing all your energy on paying off your “*utang*”, for example, why not avoid borrowing money in the first place?



## Checking Your Financial Health

**How are you doing financially?**



Now that we have defined financial health, let's see how you fared. If you're unsure about proceeding with the questions, put your mind at ease. While the assessment will help evaluate the state of your financial health, it is not the be-all and end-all.

Remember, this is just a starting point from which you can identify the strengths and areas of improvement in your financial health.

With that out of the way, start by reviewing and answering the questionnaire truthfully.

Answer the questionnaire on the next page.



## HOW FINANCIALLY HEALTHY ARE YOU?

For each statement below, rate yourself as honestly as possible with the following (1= Not Really, 2= Unsure, 3= A Bit, 4= Absolutely).

How do I feel about...	Rating
<b>My current salary is enough for all my bills and still lets me save money.</b>	
<b>I can afford to keep up with rising prices of goods and services.</b>	
<b>I prioritize spending on what I need instead of what I want.</b>	
<b>I track my spending, so I know exactly where my money goes.</b>	
<b>I have a good relationship with my bank, so I can take out a loan with them.</b>	
<b>If I lose my job, I have 3 to 6 months' worth of savings to live on until I find new work.</b>	
<b>I can manage my debts without worry.</b>	
<b>I won't have to borrow money in case of a medical emergency.</b>	
<b>I have clear financial goals that I want to achieve.</b>	
<b>I have a detailed plan to reach my financial goals.</b>	
<b>I'm earning enough to support the family and still have savings.</b>	
<b>I have a plan to save enough for a comfortable retirement.</b>	
<b>I am aware of my investment options.</b>	
<b>I have a portfolio of investments.</b>	
<b>I have a backup plan in case my investments don't work out.</b>	
Total Rating	

Date taken

To your financial health situation, get your total rating and check how you're doing on the next page.

# How did you fare?

Rating	How is Your Financial Health?
<b>53-60</b>	<b>You're doing well</b> You've got a clear picture of where your financial health needs to be, and you're taking steps to get there.
<b>45-52</b>	<b>You're on the right track</b> If there are no drastic changes in your life, you can live comfortably. If something terrible does happen, chances are you'll get by cutting back on a few expenses.
<b>37-44</b>	<b>You're ready for growth</b> You experience the usual financial ups and downs, like most Filipinos.
<b>15-36</b>	<b>Check-in needed</b> There are more than a few challenges in your long-term financial situation, which can have you working past retirement age.

Did the results surprise you? Or are you a bit disappointed? Don't worry! This book is here to help you get better results next time.



This assessment is a simple one, inspired by existing financial health tests like [this](#), [this](#), and [this one](#). As we mentioned earlier, this is just a guidepost to see where you stand now, financially. Knowing that will move you along your financial wellness journey and in making better money decisions!

A year from now, please come back to this assessment to check your progress and your appreciation and understanding of budgeting, saving, and investing, compared to when you were at the start of this chapter.



# 6 COMMON MONEY MYTHS

Avoid falling for these misconceptions.



1

## Put all your money in a deposit account

Your money will lose value due to the rising cost of living, so explore investments that help it grow at a rate that outpaces inflation. If you need to hold onto a considerable amount of money, consider spreading it across several bank accounts.

2

## Plan for retirement only when you're close to retiring

It's harder to build a nest egg if you put off retirement planning to your later years. The sooner you start, the more ready you'll be for retirement.



3

## Making money is the end-all, be-all

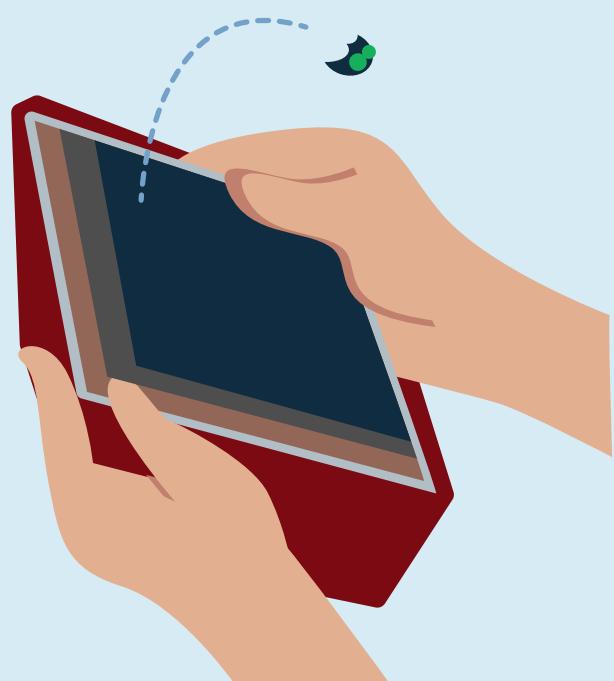
We all need money to pay for the essentials of a fulfilling life. Achieving a financially healthy life means money should not control you; you should control money. The pursuit of money should not be the one financial goal that overshadows everything else.

4

## Borrowing money is always bad

There is "good debt," and there is "bad debt"—which we will tackle in future chapters of the book. Good debt is money you can borrow to pay for things that increase in value, like a home that can appreciate. An example is your education loan that can improve your skills and as a result, increase your income. So good debt can be considered an investment, and borrowing money is not always bad.





5

## Keeping quiet about your poor financial health

Struggling silently is a recipe for conflict, especially if your family depends on you. Don't be ashamed to share your concerns with your loved ones, especially if you need help. With their support and the lessons in this book, you will find your way. Remember, if you don't ask for help, you won't get it.

6

## You need to earn more to start saving

If you're not living within your means, you probably can't save. The truth is, if you know how to budget, you can put away some money (regardless of how much you earn). On the other hand, if you explore ways to augment your income, you can earn and save more.



Now that you are more financially self-aware, it's time to move forward in your financial journey.



## Figure out Your Next Step

What to do now that you're financially aware?



our next step varies on the result of your assessment earlier in this chapter.

- If you got **“You’re doing well”**, then continue what you’re doing, and you’ll be fine. Your future retired self will thank you

for the steps that you take to achieve financial health.

- You have the right ideas if you got **“You’re on the right track”**. All you need to do is turn those ideas into action, by saving, investing, and laying the foundation of your retirement plan.
- You’ll get to where you need to go if **“You’re ready for growth”** with the right motivation and guidance. Dedicate time and effort to balance your income and expenses so you can move to the next step in your journey.
- Don’t fret if you got **“Check-in needed”**. Self-awareness is an amazing trait. This should help you understand areas you can improve and act on. The tips provided in this e-book are a good start.

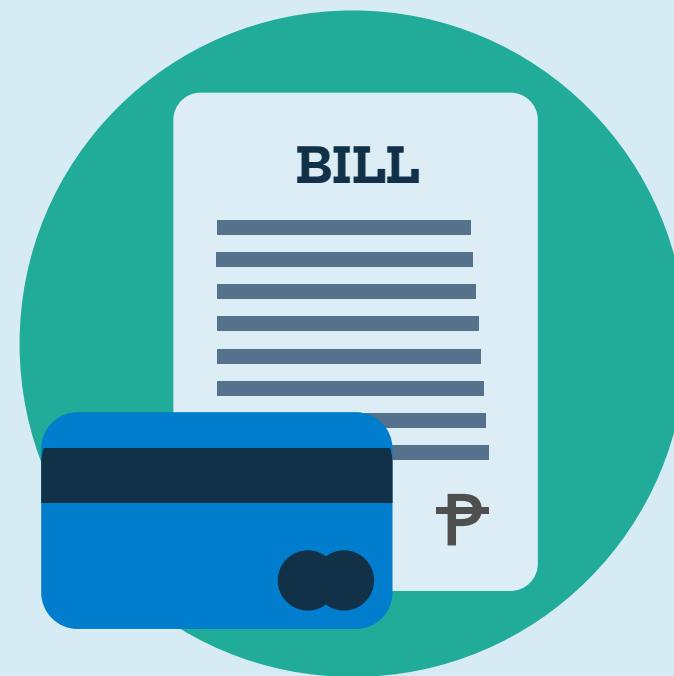
## 7 KEY SIGNS THAT YOU ARE FINANCIALLY HEALTHY

Let's see if you're ready for the journey to improve your financial health.



### You pay your bills on time

A great sign of good financial health is the capability to pay all your bills, on time and in full, to avoid late fees and paying unnecessary interests. No need to pay before your due date unless you can earn points or rebates by paying ahead of schedule.



### You have an emergency fund

This fund should cover 3 to 6 months of your average monthly expenses, if you don't have any dependents, and up to 2 years' worth of expenses if you have a family. Don't limit yourself to 6 months if you need more time for preparation. But don't put off raising your emergency fund, since you never know when you'll need it.



### Your loans are manageable

Sure, you've taken loans, but they are for a business, a house, a car, investments, or other needs. Besides, you have a timeline for when you finish paying off each loan.





## You save and budget money for important investments

Set aside money for important purchases and investments like a house, a car, or the education of your (future) child.



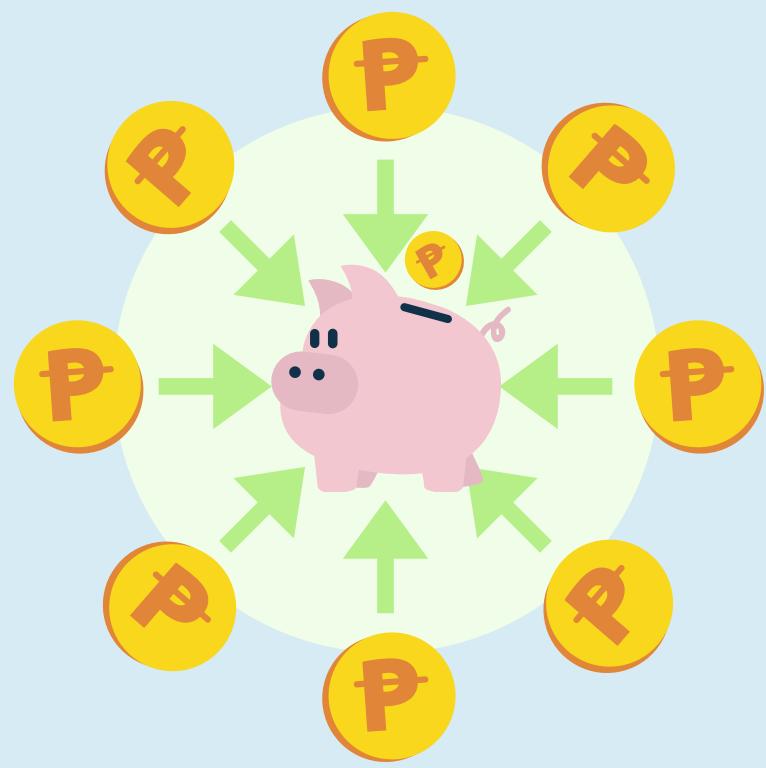
## You have a healthy spread of investments

Diversify and avoid investing in just one stock or fund. Not putting all your eggs in one basket minimizes your risk. Seizing opportunities that produce more eggs is better!



## You have more than one source of income (ideally)

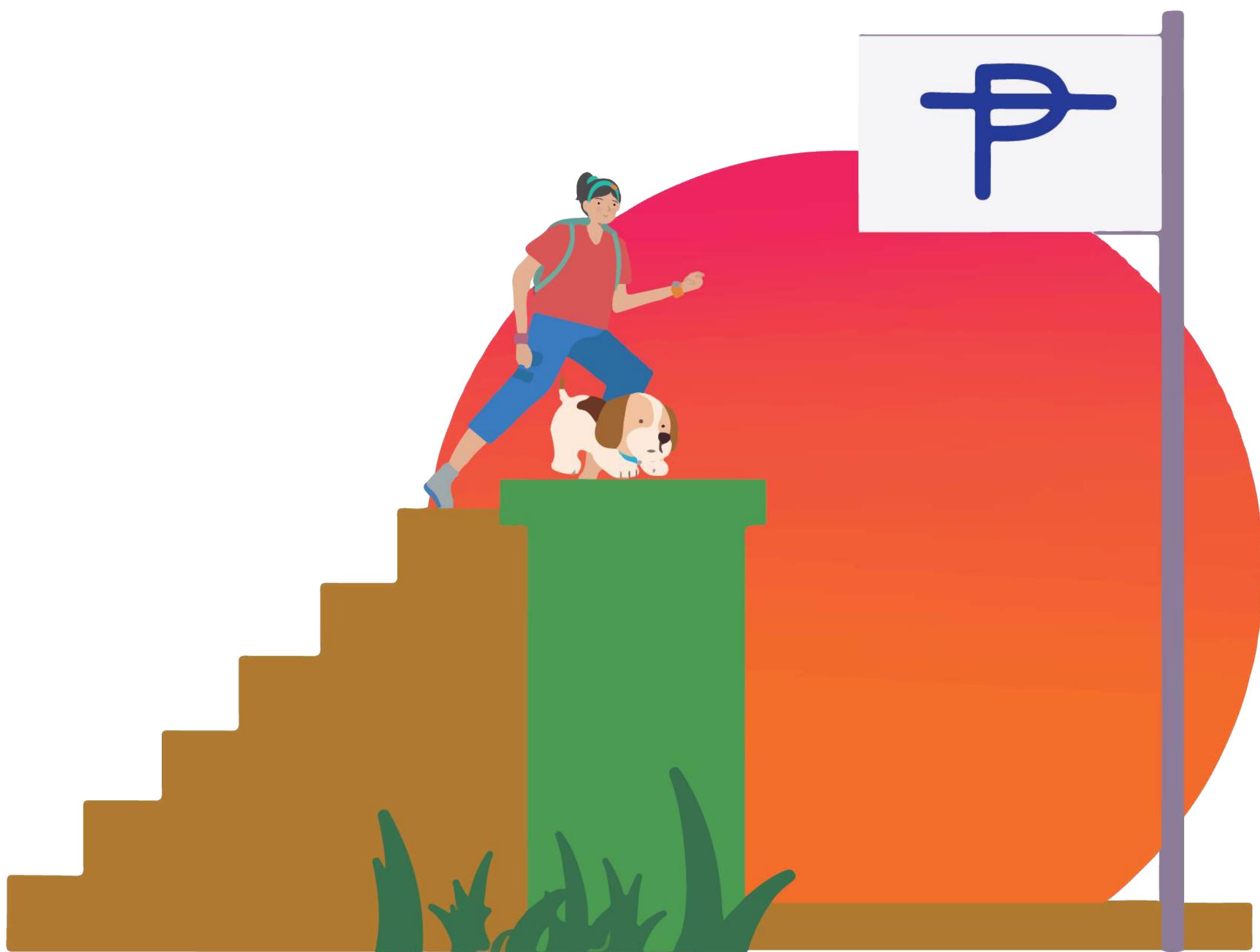
Having another source of income gives you a leg up in reaching your financial goals! This can be a side hustle, a small business, earnings from investments, or a rental property.



## You bought insurance for you and your loved ones

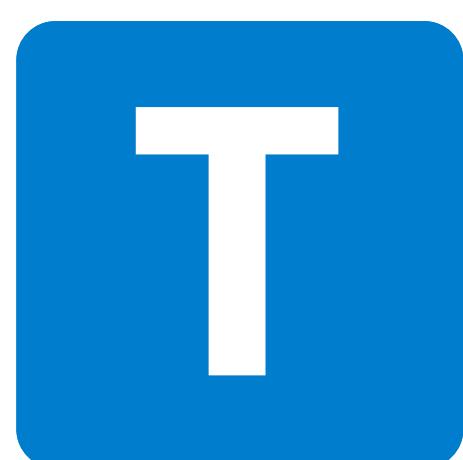
Insurance prevents you from dipping into your savings during a critical illness that results in massive medical bills. It also makes sense to buy insurance for your home, car, and your business, especially when losing any of these will result in financial burden and stress.





## Onwards to Your Financial Health Goal

Keep your eyes on the prize and  
your feet on the ground.



The first step is always the hardest and often the most important. Those things don't make the next stage any less crucial, especially if your goal is to improve your financial health. The road may not always be easy, but with the right tools and mindset, you'll get there eventually.

These steps will be discussed in more detail in the next chapters.

However, it would be helpful to identify them here so your financial journey will be easier. As always, remember that there's no one-size-fits-all solution for financial health.



1. Set your own financial goals before starting. These serve as guideposts to lead the way towards financial health.
2. Track your expenses so that you know where your money goes. This will also help identify which expenses you can cut to increase your savings or investments.
3. Learn how to maximize your loans. Pay them on time and in full.
4. Build an emergency fund that is readily accessible, preferably some of it in cash and most of it in a savings account.
5. Get insurance that fits your needs so you can be prepared for the worst.
6. Start investing!



# Shortcut

**HERE'S EVERYTHING  
WE'VE COVERED SO FAR.**

- Knowing your financial health is a good starting point in setting your financial goals.
- Now that you are aware of some misconceptions about money, you can avoid falling into bad money traps.
- Having answered the **financial health questionnaire**, you know how to set your financial goals.
- Signs of good financial health include the capacity to pay bills on time, pay loans in full, set aside money for an emergency fund, plan for retirement, augment your income, insure yourself and your loved ones, and of course, invest.

READERS' SECTION

# Here's Your Financial

## Health Checklist

Let's make your journey towards financial health easier to track with this simple checklist of things you can start working on now! This can also help you visualize your direction.



- Feel financially secure, even in the face of unexpected expenses
- Have a set of clear financial goals
- Pay all loans on time
- Have an emergency fund that covers 3 to 6 months' worth of expenses if you're single, and up to 2 years if you're the family's breadwinner
- Have insurance for you, your loved one's health protection, and your assets like your home, car, and business
- Have more than one stream of income
- Set aside money for a down payment for a house, a car, or further education
- Have a broad set of investments (stocks, bonds, and mutual funds)
- Start exploring your retirement options
- Start or invest in a business on the side

JOURNAL

# Making Sense of Your

# Current Financial Health

Let's reflect on what you have learned so far in your financial journey. Don't worry, there are no right or wrong answers here, so answer truthfully.

What most surprised you when you evaluated your financial health?

Can you identify the areas of improvement when it comes to your finances? List them here.

What portion of the financial wellness journey are you most excited to start?

Now that you have an idea of your current financial health and the things you can improve to achieve financial wellness, you can learn to set financial goals and budget in the next chapter.

Take heart in knowing your areas of improvement financially is already half the battle. The other half is acting on your insights in this the next chapters.

Good luck! You're well on your way to being financially healthy! Watch out for the next chapters of Earnest coming to your inbox.



*The person who journeys aimlessly  
will have labored in vain.*

– Mark the Monk

CHAPTER 3

# Your Journey

Starts with a Budget



## What you will learn from this chapter:

- What is a budget and why do you need one?
- What are the considerations and principles of budgeting?
- What budgeting strategy fits you
- Get started with a budget

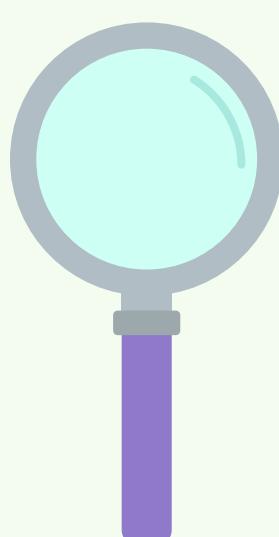


*ala sa budget* is something you may have heard as a child when you asked your mom or dad for that new toy or the latest sneakers that most kids had. You may have been disappointed and have come to dislike those words, because you saw them getting in the way of what you wanted.

That budget and your parents' determination to stick to it allowed them to meet their financial goals for you and your family. Sticking to the budget meant that they were able to continue to put a roof over your head, provide food on the table, pay the bills, and set you up for a better life.

What is a budget? Simply put, a budget is like

a map showing your total income and total expenses incurred over a period, say a month or a year. It lets you see where your money is coming from, where it is going based on how much is lacking, how much is in excess, and how you plan to spend. Having a budget also helps you set your short, mid, and long-term goals and how you can work towards them. It also serves as a building block to good financial health.



## BUDGET

A budget is a spending plan that defines how much of your income is allocated towards expenses, savings, and investments over time.

By budgeting and sticking to it, you will find it easier to pay bills on time, build an emergency fund, and save for major expenses, such as a car or a home. Budgeting is an important life skill that can help you get better at managing money.



## Key Principles in Budgeting

### WHAT FACTORS TO CONSIDER.

**B**

efore you jump into learning how to budget, there are several principles that you must consider.

First, there is the cost of living. Filipinos, particularly those living in the National Capital Region, deal with **one of the highest**

**costs of living** in Southeast Asia, while also having one of the lowest average incomes.

**Government data** in 2021 shows that the average annual income of a Filipino family in Metro Manila stands at just over PHP 417,000.00 or less than PHP 35,000 per month. While this may be enough to cover the daily expenses of a small family, there is often little left for savings and investments.

It is far below PHP 110,000, the average monthly income that another **study** found Filipino families need to be “happy.” While money alone cannot buy you happiness, it is easier to be happy when you do not have to stress about having enough money for food or for paying bills.

The cost of living can vary, depending on where you live. Living in large cities often means greater economic opportunities and salaries, with higher corresponding costs. On the other hand, people who live in the province have **lower costs of living**, though earnings also tend to be **smaller**.

“

Living in large cities often means greater economic opportunities and salaries, with corresponding costs.

## The Cost of Living in the Philippines

Here is a snapshot of how much it costs monthly to live in major Philippine cities



	Single	Family of four
<b>Makati</b>	PHP 34,471.55	PHP 120,679.78
<b>Manila</b>	PHP 29,802.24	PHP 104,263.82
<b>Quezon City</b>	PHP 32,744.09	PHP 107,785.39
<b>Cebu</b>	PHP 28,016.46	PHP 98,730.84
<b>Davao</b>	PHP 30,569.08	PHP 107,553.08

Source: Numbeo: [Cost of Living](#)

While budgeting can be extra challenging for those with lower or *sakto lang* income, it is still doable. If you budget smartly, it can help guide your everyday decisions towards good financial health.

Second, consider your personal goals and situation. If you are single, now may be the best time to build your savings and investments. Are you married and with dependents? Look at the company benefits that are available to you and take the time to see how you can maximize them.

Are you also sending money back to your parents to help them make ends meet? Do you have something big planned on the horizon? Are you saving up for a wedding? A home? A car? Do you need to take that trip abroad this year, or can it wait?

Third, think of how much time you need to save for the important things, while still being able to pay for your essentials, regular expenses, and bills. A sense of urgency is necessary to craft a proper budget so you can keep things realistic.

Lastly, have the mindset and determination to stick to your budget and get your house in order. While we cannot control things like the increasing cost of goods and services, and the

wage market, we can control what we do with the money we have.

Living within your means is a matter of discipline and having the will to cut back on unnecessary spending by saying no to invitations or looking away from temptation.

Does your colleague have the latest gadget? Feel happy for them but remember what you are saving up for and be content with what you already have. If you feel left out whenever your friends go to a fancy café for coffee breaks, you can still join them while bringing your tumbler of delicious home-brewed coffee.

Remember, good friends will support your desire for better financial health and will respect you for saying “*wala sa budget.*”



## Get Started with Your Budget

**DEFINE YOUR GOALS FIRST.**

**A** study shows that around 40 percent of Filipinos do not consciously plan their budgets because of low awareness of basic personal finance concepts, which makes budgeting more difficult to go into.

First, you should get rid of the fear that budgeting is too difficult to do, or that you need to understand math or have a finance background to do it. For all you know, you may have been budgeting since your first allowance or baon as a child.

You may not have a spreadsheet or a well-defined plan then, but when you made decisions about how much of your baon would go to your lunch, your snack, or after-school treat, and if you wanted to save a little each day for the weekend–you were budgeting.

Now that you are an adult with bigger decisions to make than buying a snack after class, it is time to sit down and look at how much you have, and make it work, so you can live the life you aspire to have.

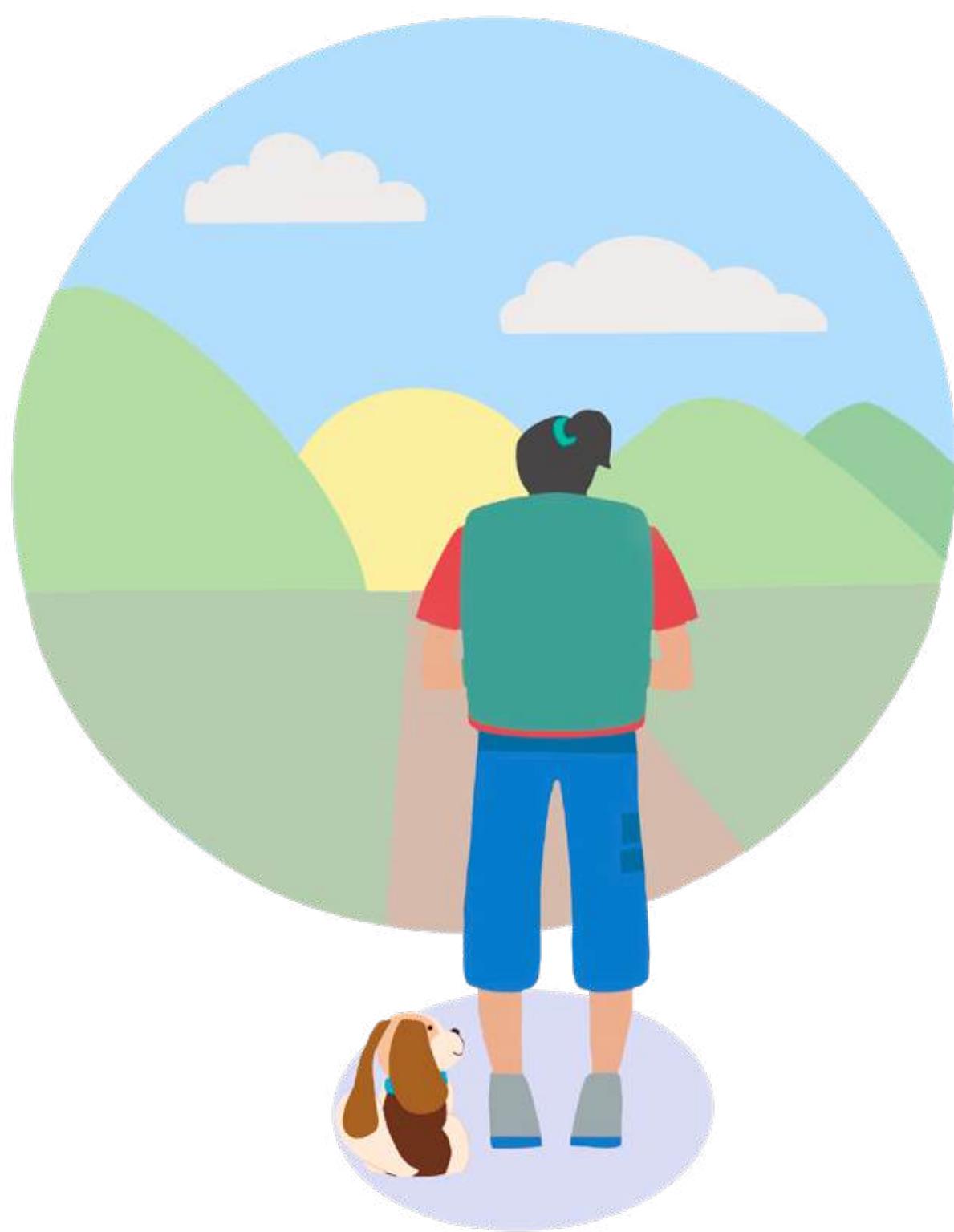
Start with the end in mind: Know your goals.

Ask yourself: Where do you want to be? Do you want to get out of debt? Do you want to have an

“X amount” of savings by the end of the year?  
Do you want to start your own business?

Remember, your goals are valid, whatever they may be. What you want out of life may not be the same as others, so do not worry if your journey looks different from everyone else's.

To keep yourself from being overwhelmed, keep your goals simple, easy to do, and realistic. Take the baby steps you need now so you can set yourself up for giant leaps in the future.



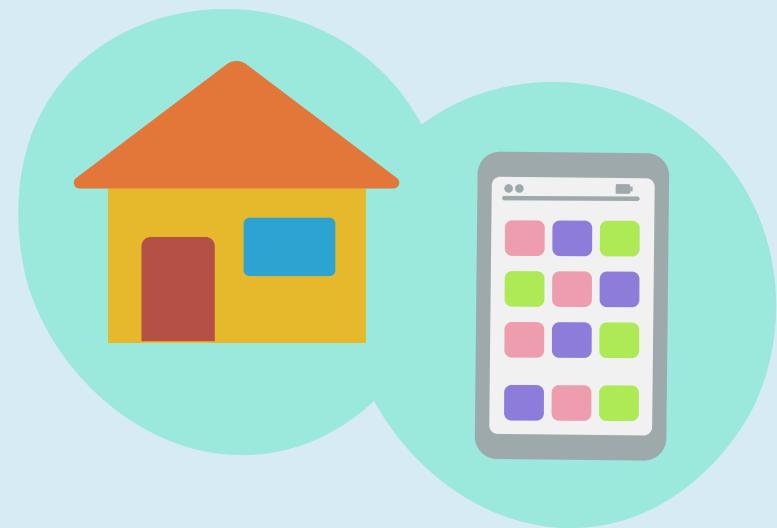
# Budget Baby Steps: Little Things You Can Do Now

Ready your pen and paper and list down these steps to begin walking.

**1**

## Define needs and wants and keep them separate

Your needs are things you cannot live without, or they are also called your essentials. Wants are the things that are nice to have but will be fine to live without or labelled as non-essentials.

**2**

## Track spending versus income

Note your income—which includes your monthly paycheck, your earnings from a side hustle, an investment, or from regular remittances sent by a relative abroad—for the month, then subtract every expense you make. This will show the money you have left, so you do not end up overspending.

**3**

## Define your “livable” monthly expenses

This is the amount that lets you stay on top of your spending, enjoy life, and sleep at night, while still being able to save.

**4**

## Decide your priorities

Understand what you want for yourself now and in the future. But focus on your needs first. This helps you decide how much money goes towards savings and investments.



5

### Allocate money for essential expenses

Set aside funds to pay off periodic expenses regularly and on time. Treat the amount of money distributed for essential expenses as untouchable or as if you have never had it in the first place, so you can have a view of what is left to spend, save, or invest.



6



### Allocate money for having fun

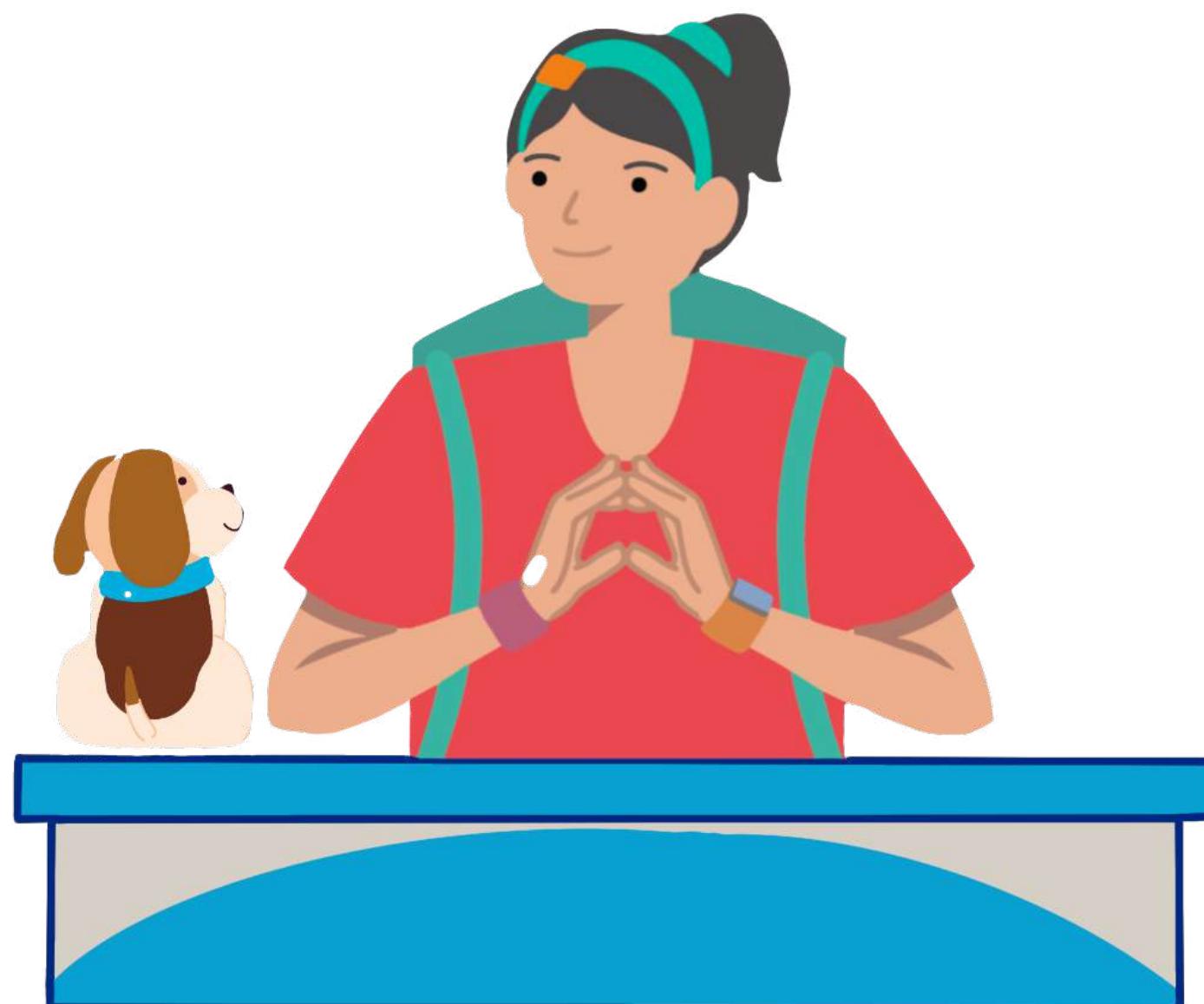
This money goes to your “me time” activities like a trip to a beauty salon, a road trip to the nearest beach, or a regular Friday night out with friends. Some people call this “fun money” which affords you simple joys that make you a happier and better person.

If you find that there is little or no money left for savings after summing up your expenses, look at your list of “wants” and rank them in order of importance. Take out those you can do without for the meantime and convert those expenses into savings.

And yes, have a budget for having fun (some call this “fun money”). Budgeting is very much like dieting—it is hard, and sacrifices must be made. But if you deprive yourself too much, there might be a bigger chance that you will find

yourself cracking and so, binge spending. Remember, there is always a way to "save without missing out" or SWOMO. So treat yourself, and live within your means. The future you will thank you.





## The Different Types of Budgeting

**KNOW WHICH BUDGET WORKS FOR YOU.**

**E**verybody's financial and family situations are different. There is no one-size-fits-all budget. To help you find one that works for you, here are some **popular methods and approaches** to budgeting.

## 1. 50-30-20 Budget

**What is it?** This method follows a 50-30-20 rule, where 50 percent of your monthly income goes to essential expenses (i.e., rent, transportation, food, and bills), 30 percent to wants or non-essential expenses (i.e., entertainment fund, unplanned trips, designer clothes), and 20 percent to savings and investments.

**Who is it for?** If you have disposable income and want to start a healthy savings or investment fund, this budget scheme is for you.

**Pros and cons:** This method may work if you have a high income but may be very tight for Filipino households with incomes on the lower end of the economic scale. The allocations for this budget can be flexible and can be stretched to 60-20-20. If it does not fit your lifestyle, you can try 70-20-10, where 70 percent goes to essential expenses, 20 percent to savings and investments, and 10 percent to non-essentials or “fun money.”

## 2. The Cash Envelope Budget

**What is it?** This method uses the cash envelope system, which means you withdraw cash for your expenses when you get your paycheck. You then put cash into envelopes labeled for necessities like groceries and gas, fun money, or even charity.

**Who is it for?** If you are just starting to budget.

**Pros and cons:** This method prevents you from overspending and forces you into serious tipid mode. Once your envelopes are empty, you are forced to stop spending. This method will require withdrawing cash from your bank, and it can be more tempting to spend cash when it is in hand.

## 3. Reverse Budgeting

**What is it?** This method forces you to set aside money for savings before you even distribute some for paying bills and other expenses.

**Who is it for?** If you have enough disposable income, but still have trouble saving.

**Pros and cons:** This method allows you to prioritize saving and work your way towards investing and achieving good financial health. This, however, requires extra discipline in spending.

## 4. The Values-Based Budget

**What is it?** This method is all about spending money on things that matter to you and doing away with things that are not your priority.

**Who is it for?** If you want a budget that lets you live the life you want, this budget is for you. This method fits people with clear financial goals like allocating funds for your kid's education.

**Pros and cons:** This method allows you to pay for your basic living expenses and financial obligations but requires discipline in setting aside an amount for your children's education, a down payment for a new car, or a big family

trip. Meanwhile, you cut down on your daily coffee latte or premium subscriptions, which does not bring long-term value to you.

## 5. The No-Spending Budget

**What is it?** This method prioritizes settling your bills first, then saving what is left. You are not spending it on anything else.

**Who is it for?** If you are short on funds or saving for a big purchase.

**Pros and cons:** This method is a good idea if you are saving for a big purchase or need to get out of debt. However, it is not something you can do for a prolonged period because there will be times where you need to spend extra for emergencies or any other unplanned expenses.

## 6. The Survival Budget

**What is it?** This method is the extreme version of the no-spending budget. You subtract essential monthly expenses from your income and reduce costs wherever you can. Whatever is left can be distributed for next

month's expenses, paying off debts or saving.

**Who is it for?** If you are in financial difficulty or are barely making ends meet.

**Pros and cons:** This method forces you to learn to live on even less than your usual costs. This means taking out unnecessary costs, buying cheaper options, and even cutting back on some necessities. There will be no spending on fun for this budget.



## 7. The “No-Budget” Budget

**What is it?** This method is where you pay bills, save money, and spend the rest of the cash however you want.

**Who is it for?** If you are not in the habit of setting a budget.

**Pros and cons:** This method is simple to do, but it has no clearly defined allocation for savings or investment goals.

Now that you have an idea about the several

types of budgeting, you need to ask yourself these questions in choosing how to budget:

1. Is the method simple and doable enough for you to stick to?
2. Is the method compatible with your lifestyle and income level?
3. Can this method help fulfill your financial goals?

If you find that the budget method you first chose is not really working out for you, it is OK.

Try a few of them before you find the one that is right for you. You can even produce a hybrid or customized one to suit your financial situation and needs. But before you jump into one of the various budget methods, let us look at the parts of a budget.

There are several budget templates you can find online, but all share common elements like a view of your total income, your expenses broken down into various categories, and the money left if you subtract your expenses from your income.

# The Anatomy of a Personal Budget

This illustration shows you the various parts of a personal budget.

Income
Budget
Actual
Difference

Take-home pay			
Partner's income			
Other incomes			
<b>Total income:</b>			

Expenses: Essentials
Budget
Actual
Difference

Home rent (or mortgage)			
Utilities			
Grocery and <i>palengke</i>			

B Expenses: Non-essentials
Budget
Actual
Difference

Shopping (beyond basics)			
Regular vacation or travel			
Gadget upgrades			
<b>Total expenses:</b>			

Savings & Investments
Budget
Actual
Difference

Emergency Fund			
Financial Products			
Personal goals			
Savings Account			
<b>Total savings &amp; investments</b>			

**A** Money that comes in. Essentially, all your income streams.

**B** Money that is spent. These are items that use up money.

**C** Money that is stored or put away to grow. In this section, money is not spent but rather treated as an asset that can give back returns.

**D** Money that was planned to be spent, how much was actually spent, and the difference between the two.

This illustration shows you what a budget is made of. Now, you need to fill in the details of each part. We suggest putting in only your net take-home pay and taking out taxes and other mandatory deductions in your computation.

Meanwhile, put in all your expenses, separating the essentials (needs) from the non-essentials (wants). Expenses should be less than your income for you to have funds left over for savings, investments, and emergencies. In other words, looking at the example, “A” (income) minus “B” (expenses) should be equal to “C”.

If your expenses are equal to or more than your income, you need to cut back on some of your non-essentials before even considering touching your essentials. The other solution is to increase your income by creating new income streams.

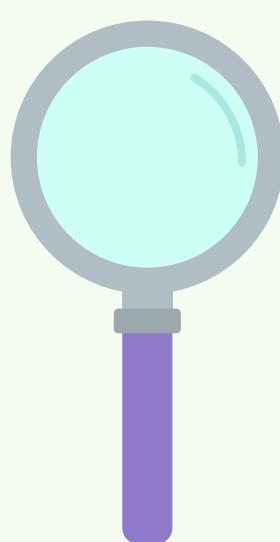
Here are more details of each part organized and explained.

**A** **Income:** This is the part of the budget plan where you enter all your sources of income, including your monthly take-home pay, your partner's income (if available), and other income sources from your business, investments, remittances from abroad, and side hustles. Total monthly income is equal to the sum of all income sources after taxes.

**B** **Expenses:** There are two types of expenses—essentials and non-essentials.

Essential expenses consist of spending on your necessities or basic “needs”. These include your home rental costs (if you are renting), mortgage payments (if you are paying for your home loan), utilities, groceries, household maintenance costs, cable, internet, and mobile phone expenses, and other necessary costs to cover your basic needs. Transportation cost also falls under this category, which includes car loan and insurance payments, repair

and maintenance, and toll fees. If you commute, you must include that, too. Education costs, like tuition and supplies, are considered essential expenses, along with health insurance premiums, medicines, and out-of-pocket doctor's visit fees. Personal grooming and work-related clothing fall under this category. Credit card debt and personal loans, if you have these become essential expenses, as well.



## MORTGAGE

Mortgage, also known as amortization, is a type of loan where a borrower agrees to repay a lender in regular schedules.

Meanwhile, non-essentials are expenses that are considered as "wants." This is where dining out or food take out expenses, shopping for luxury items and entertainment are added. Upgrades from your usual essential expenses, such as a visit to a premium beauty salon, a spa, or a family vacation abroad also fall under this expense category.

**c Savings and Investments:** This is the section where money is treated as an asset, rather than currency that is spent. When saving, ensure that you have your emergency fund fully funded. You also want to save for personal goals or store cash in interest-bearing accounts as an added protection against inflation. Items under investing include investment products like UITFs, mutual funds, time deposits, and other financial products offered by a bank, financial institution, or even the government, that provides returns or *kita sa puhunan mo*. We will cover details about investment products in a later chapter.

**D Budget, Actual, and Difference:** This is the part of the budget where you enter how much you plan to spend or allocate per line item (Budget), how much you spent (Actual), and the difference between the two.

The “Difference” is simply the result of subtracting the “Actual” from the

“Budget” values of each line item.

Why is the difference important? Because it tells you if you are overspending on a line item (if the difference is negative) or underspending (if the difference is positive). The difference will tell you if your budget needs to be adjusted or if your spending behavior is the one that needs to be corrected.

To help you get started, here are two real-life examples on how to budget.

- An individual income earner who has a PHP 35,000 net monthly take-home pay
- A dual-income family with two kids and with a net household income of PHP 110,000

### **Individual Income Earner: Noelle, 29, female**

Noelle is an office employee who makes PHP 35,000 after taxes and other deductions. She shares the rent and utilities on an apartment that is just a short train ride to her office with two friends. Her company pays for her phone bill and

provides good healthcare insurance. She also sends a small allowance to help support her parents in the province.

As a young woman with a steady monthly income, good company benefits, no debts, and reasonable recurring expenses, she is an ideal fit for the 50-30-20 rule that can help set her up for a financially healthy future.

Income	Budget	Actual	Difference
Noelle's Monthly take-home pay	₱35,000	₱35,000	₱0
<b>Total income</b>	<b>₱35,000</b>	<b>₱35,000</b>	<b>₱0</b>

Essential Expenses	Budget	Actual	Difference
Rent (1/3 share of PHP 20,000)	₱6,667	₱6,667	₱0
Utilities (power, water, internet)	2,000	1,895	105
• Groceries and household supplies	5,833	6,800	-967
• Cafeteria meals			
• Other food expenses			
Transportation (MRT, Grab, taxi)	3,000	3,200	-200
<b>Total essential expenses</b>	<b>₱17,500</b>	<b>₱18,562</b>	<b>-₱1,062</b>

Non-essential Expenses	Budget	Actual	Difference
• Shopping (luxury items)	₱8,000	₱7,500	₱500
• Entertainment (subscription, recreation)			
• Personal costs (beauty salon, gifts)			
• Dining out and food delivery			
Aid for parents	2,500	2,500	0
<b>Total non-essential expenses</b>	<b>₱10,500</b>	<b>₱10,000</b>	<b>₱500</b>
<b>Total expenses</b>	<b>₱28,000</b>	<b>₱28,562</b>	<b>-₱562</b>

Savings and Investments	Budget	Actual	Difference
Savings for big purchases/vacations	₱2,000	₱2,000	₱0
Savings for investments (Time deposit, high interest-bearing account, mutual funds)	2,000	2,000	0
Emergency fund	3,000	2,438	-₱562
<b>Total savings &amp; investments</b>	<b>₱7,000</b>	<b>₱6,438</b>	<b>-₱562</b>

20%

NOTE: The percentages show the proportions of your budget allocation.

While Noelle stays reasonably within budget, she finds that she often spends more than she plans to on groceries and transportation. She tries to balance it out by spending less on what she wants. On months like this, she has a little less to put into her emergency fund.



## **Dual-income couple with kids: Gino, 32, male and Carla, 31, female**

Gino and Carla are both managerial employees who jointly take home around PHP 110,000 after taxes and deductions. They are parents to four-year-old Angie and two-year-old Mia.

Their employers provide good healthcare coverage for each of them and their dependents. They can avail themselves of favorable rates for their home and car loan payments through their company benefits.

While their household income meets the “happy” amount for Filipinos, having two dependents means that their expenses are also much higher.

In addition to their individual needs and goals, they must prioritize the present and future well-being of their young children.

With a household of five—including the house help—the budget share of their essential expenses is much higher. Rather than

following the ideal 50-30-20 budget, it must be adjusted to 80-15-5, with 5 percent of their income left for savings and emergencies.

Income	Budget	Actual	Difference
Gino's monthly take-home pay	₱60,000	₱60,000	₱0
Carla's monthly take-home pay	₱50,000	₱50,000	₱0
<b>Total income</b>	<b>₱110,000</b>	<b>₱110,000</b>	

Essential Expenses	Budget	Actual	Difference
Home mortgage	₱28,000	₱28,000	₱0
Utilities (power, water, internet, mobile phone)	8,000	7,800	200
Groceries and household supplies	10,000	11,200	-1,200
Transportation and gas	8,000	8,200	-200
Auto loan payments	12,000	12,000	0
Education (pre-school tuition fee)	7,500	7,500	0
Children's clothes and basic shopping	2,000	1,750	250
• Healthcare (Medicine prescriptions, health and life insurance premiums, regular medical expenses -dental, doctor visits, eyewear)	5,000	4,500	500
• Personal hygiene and grooming			
Childcare (house help's salary)	7,500	7,500	0
<b>Total essential expenses</b>	<b>₱88,000</b>	<b>₱88,450</b>	<b>-₱450</b>

Non-essential Expenses	Budget	Actual	Difference
• Shopping (luxury items)	₱16,500	₱16,250	₱250
• Entertainment (subscription, recreation dining out, vacation)			
• Personal costs (beauty salon, gifts)			
<b>Total non-essential expenses</b>	<b>₱16,500</b>	<b>₱16,250</b>	<b>₱250</b>

**Total expenses** ₱104,500 ₱104,700 -₱200

80%

15%



Savings and Investments	Budget	Actual	Difference
Long-term savings (Time Deposit, high interest-bearing account)	₱2,500	₱2,500	₱0
Emergency fund	3,000	2,800	-200
<b>Total savings &amp; investments</b>	<b>₱5,500</b>	<b>₱5,300</b>	<b>-₱200</b>

**NOTE:** The percentages show the proportions of your budget allocation.

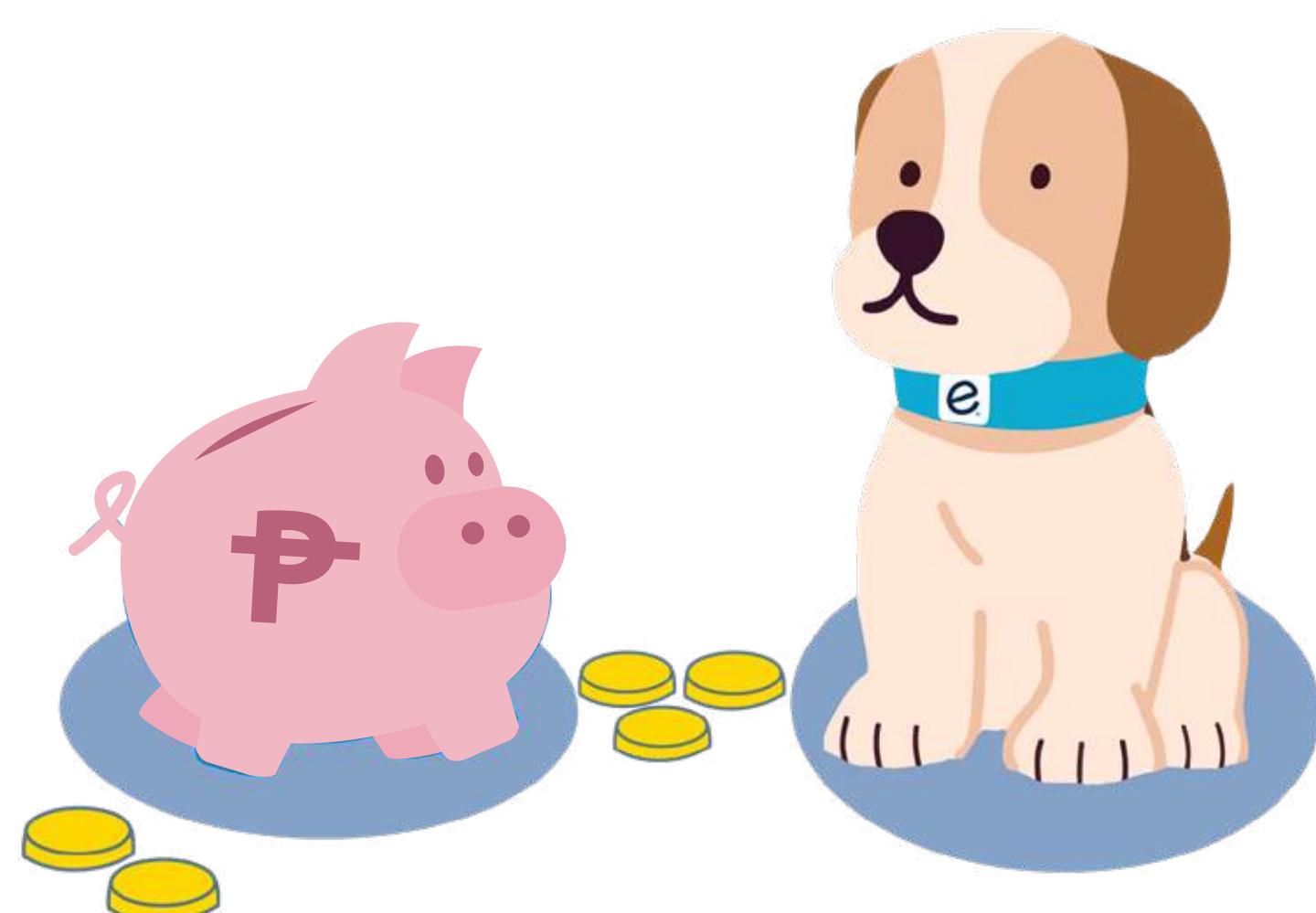
Gino and Carla find budgeting a challenge even with their above-average incomes. This is due to raising two children and ensuring they have a comfortable life. They tend to go over-budget on groceries and fuel because of fluctuating prices. They balance this out by cutting back on other items.

Their biggest expenses are for their house and car payments, which will become theirs once their loans are fully paid. They can expect to have more to spend or save once the expenses for their house and car are fully paid.

Before having children, they both used to take public transportation to work, but decided to avail themselves of Gino's company car plan so they could have a safer and more comfortable way to bring the girls around.

Instead of renting an apartment near their office, they bought a home in a secure subdivision, so the girls can have more space to play and grow. They have also had to give up trips abroad so they could send their daughters to private schools and to pay for house help, so they can both continue working while having someone to watch the children.

*Do any of these budget strategies work for you? Do you have other budgeting suggestions or a template that is different but effective? Email us your experience with these budget plans or any other suggestions on budgeting at [earnest@metrobank.com.ph](mailto:earnest@metrobank.com.ph).*





# Shortcut

**HERE'S EVERYTHING  
WE'VE COVERED SO FAR.**

- You need to budget. Budgeting is your spending plan that defines how much of your income is allocated towards expenses—including savings and investments—across a period.
- Whether your income is big or small, a budget can help you pay bills on time, build an emergency fund, and set you up for better financial health.
- Being on a budget takes discipline and sacrifice. Surround yourself with people who respect and support your budgeting journey.
- We cannot control the rising costs of living, but we can control how we live. Know the difference between needs and wants and live within your means.
- You can stretch your budget by maximizing company benefits and bonuses.
- People have different goals and situations, so there is no one-size-fits-all budget. Find or make one that works for you and do not compare your journey to others.

READERS' SECTION

## The Earnest

## Ipon Challenge

Start with a target amount you expect to save in a month. Use the bingo card to divide your daily savings target to 24 amounts. The amount saved should add up to your target amount.



PHP 140	PHP 300	PHP 250	PHP 100	PHP 200
PHP 200	PHP 150	PHP 400	PHP 100	PHP 170
PHP 120	PHP 150	FREE	PHP 200	PHP 300
PHP 170	PHP 200	PHP 300	PHP 320	PHP 180
PHP 350	PHP 150	PHP 160	PHP 240	PHP 150

JOURNAL

# Where Am I on My Budget Journey?

Now that you have learned about budgeting, read these questions, reflect, and write your answers below.

Am I happy with my current budget method?  
Can I do better?

If I made more money, would I end up saving more or spending more?

How can I stick to my budget and save up without feeling sorry for myself?

If you have reached this part of the e-book, you are well on your way to getting better with money. The next chapter will introduce you to setting your financial goals and how it can bring you closer to your life goals.





*A goal is not about  
what you accomplish.  
It's what you become.*

- Michael Hyatt

CHAPTER 4

# Heading Towards Your Savings Goals



## What you will learn from this chapter:

- Why it is difficult to save
- What you need to save for
- Where to keep your savings
- Tips to boost your savings



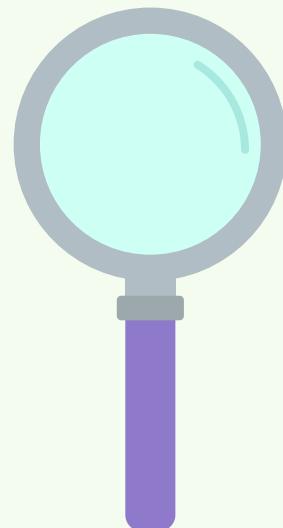
Let us go deeper into one of the more important aspects of budgeting: saving.

Saving makes budgeting meaningful because it defines what you need to budget for, in terms of money and time. It sounds simple but why do you find it hard to save?

Many reasons hold Filipinos back from saving. Attitudes like *bahala na* and YOLO (You Only Live Once) keep them from **preparing for the future**. Some say they are not earning enough money to save. Or simply, there isn't enough money left to save. Some are only even starting to think about saving as they approach retirement.

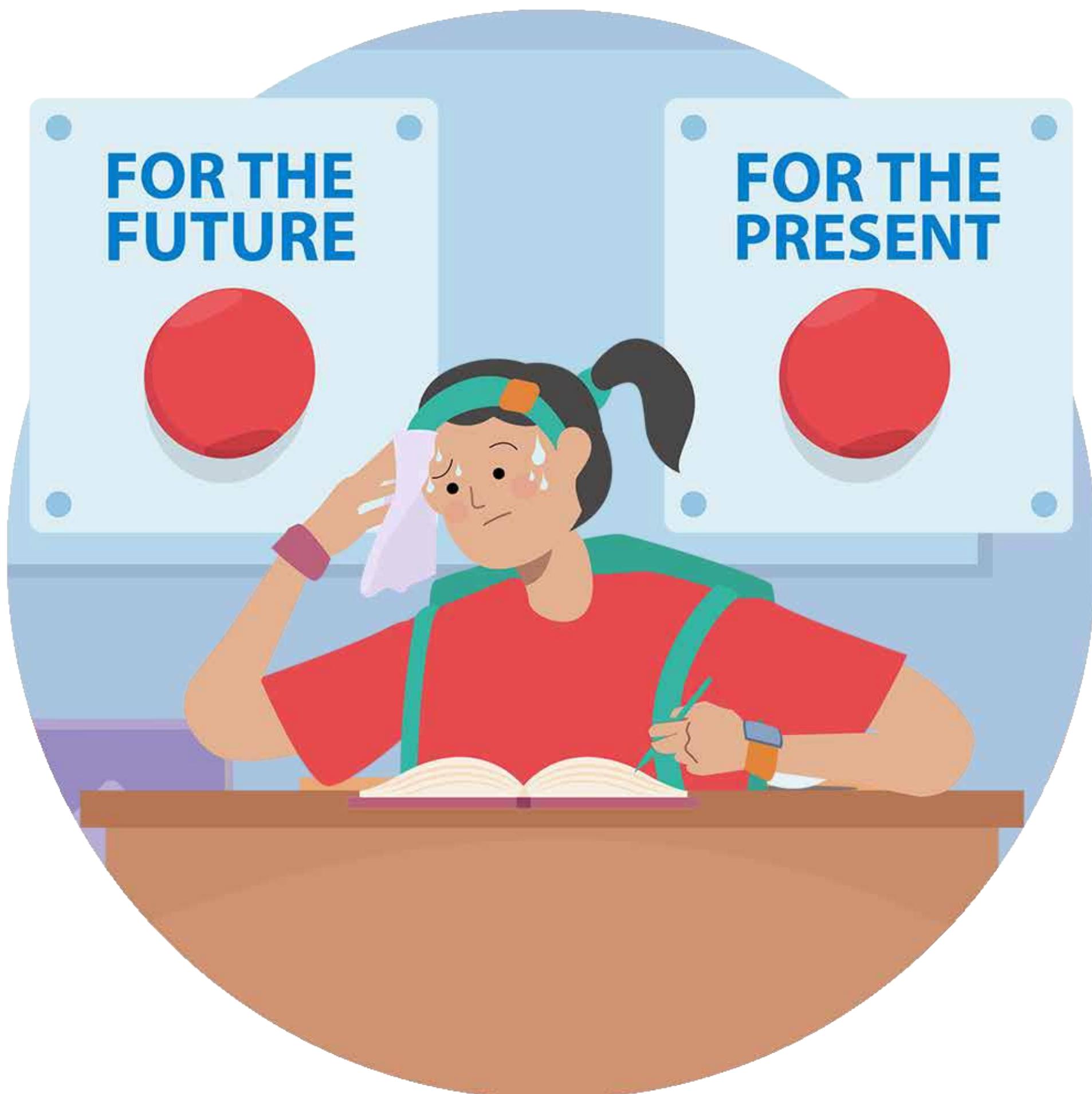
A **government survey** in 2022 showed that 31.1 percent of Filipino households saved, which is a slight improvement from the previous year. This was due to their need to save for financial emergencies and medical expenses. **Filipinos' attitudes** shifted as fear and insecurity brought about by the COVID-19 pandemic gave them more reason to save.

Still, many find it difficult to save due to the lack of knowledge on how to boost their savings considering the increasing prices of goods and services, also known as inflation.



## INFLATION

Inflation is the general increase of prices of goods and services over time, which affects the purchasing value of money.



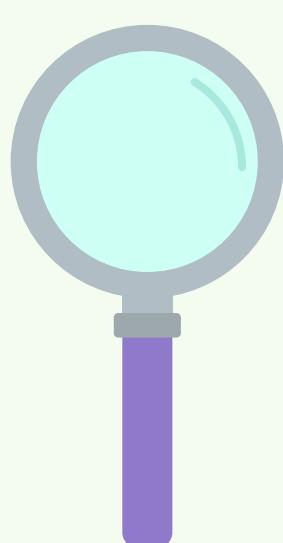
# What Do You Need to Save For?

Save for life's uncertainties.

**S**aving is not just for those planning retirement. It is for everyone—a high school student on a weekly allowance, a college graduate just entering the workforce, or an established professional.

As a rule, your savings should also increase as you grow older.

A [survey](#) showed that 77 percent of Filipino respondents planned to save more due to the uncertainties brought about by COVID-19, and more than half of them said they increased their savings by 50 percent. The study also indicated that these savings went into “low-interest savings accounts.”

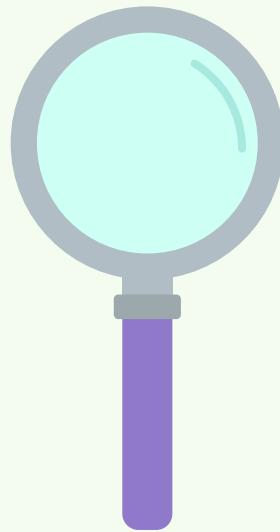


## INTEREST

An interest is the amount of money a bank or a financial service pays a depositor for keeping money in its facility. A bank borrows the money from the depositor for loans to other customers.

It should not take a pandemic to prompt you to start saving. There are financial emergencies—such as a personal accident, job loss or unemployment, car breakdown, or a death in the family—when you need money for these unplanned expenses. Your savings will give you some financial buffer, but will it be enough?

From the previous chapters, good financial health means that you set aside enough money to deal with uncertainties. That's why an emergency fund should be one of your savings goals.



## EMERGENCY FUND

An emergency fund is money you save that is accessible and secure for those unexpected events and financial emergencies. This fund should match the total amount of your living expenses for 6 to 12 months if you are single—and 12 months to 2 years, if you are married.

These are other savings goals that should motivate you:

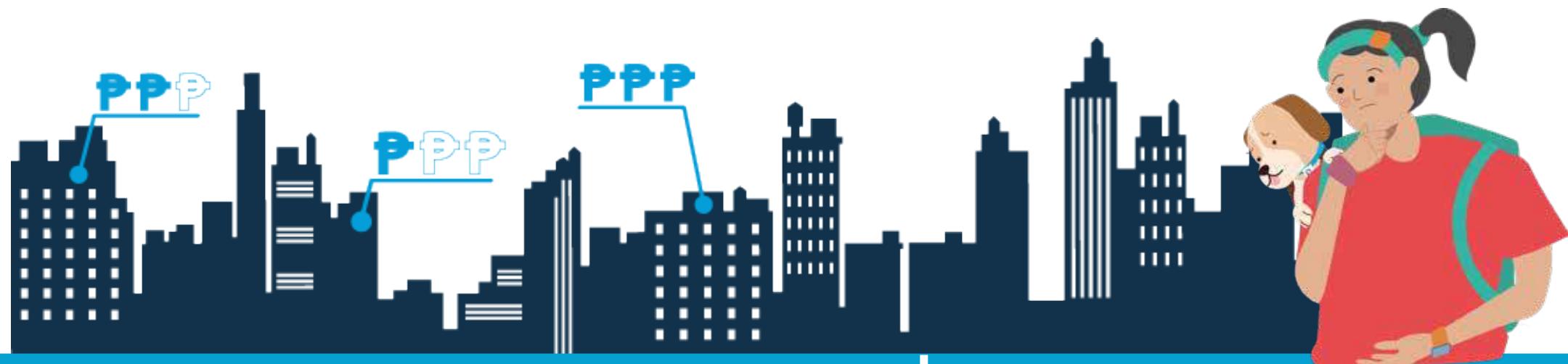
**Your Children's College Fund.** Today, you need around PHP 70,000 to PHP 250,000 a year to enroll your child in one of the **top universities in the Philippines**. With inflation, imagine how much that tuition fee will increase in a few years. These tuition fees also multiply and vary depending on the number of children and the courses they take.

**Own or Rent a Home.** The cost of owning or renting a home depends a lot on where you want to reside and your capacity to fund the down payment and other fees. In Manila, for example, the **cost of renting a one-bedroom apartment** in the central business district can range from PHP 20,000 to PHP 55,000

a month. Rent can go higher for apartments with more bedrooms.

The cost of buying an apartment is a different story. It can cost you PHP 170,000 to PHP 302,000 per square meter for a property in the city center.

If you take out a home loan from a bank, you also shoulder about 20 percent of the selling cost for the down payment. Finally, you should consider other fees and taxes that add to the total amount you need to raise.



Type of Property and Location	Estimated Cost
<b>One-bedroom apartment in city center (Manila)</b>	PHP 20,000 to PHP 55,000
<b>Three-bedroom apartment in city center (Manila)</b>	PHP 60,000 to PHP 180,000
<b>One-bedroom apartment in city center (Cebu)</b>	PHP 20,000 to PHP 40,000
<b>Three-bedroom apartment in city center (Cebu)</b>	PHP 30,000 to PHP 75,000
<b>One-bedroom apartment in city center (Davao)</b>	PHP 10,000 to PHP 15,000
<b>Three-bedroom apartment in city center (Davao)</b>	PHP 25,000 to PHP 95,000

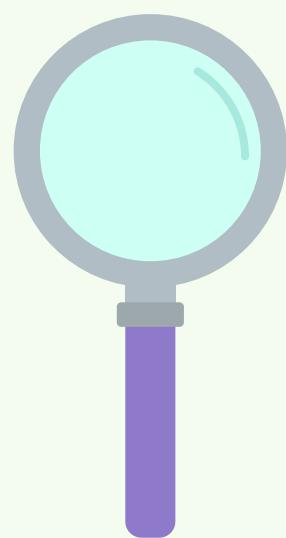
Source: [Numbeo: Property Prices in the Philippines](#)

**Healthcare Service.** This is another savings goal that is difficult to achieve because we save little, even less for health needs. The [latest government data](#) shows that less than 3 out of 10 Filipino households have savings, so unexpected medical bills can be a financial burden on families and individuals. Health or life insurance can cover medical expenses, but this depends on the amount of money you can set aside for paying insurance.

**Starting a Small Business.** Owning a small business is one of the goals many Filipinos aspire for, especially if they are considering other sources of income aside from their day jobs. Whether it is a side hustle or a full-time endeavor, owning a small business requires some money to start it.

**A Comfortable Retirement.** Early retirement—usually done between the age of 55 to 60—is a dream of many Filipinos. But how much do you need to retire comfortably in the Philippines? This depends on the lifestyle that you want.

One source of retirement funds for Filipinos are pensions. For those working in government, the Government Service Insurance System (GSIS) offers a pension fund that can be collected upon retirement. For those employed in private companies, they get it from the Social Security System (SSS). However, government data shows that a **huge population of Filipinos are not even covered** by any of the pensions available to them, thus they work beyond their retirement. Also, pensions are not enough to **sustain Filipinos in their retirement years**.



### PENSION FUND

A pension fund is a pool of savings collected by an employer or a government agency during the working life of individuals. It is often regarded as retirement fund for the employed because it gives regular payouts soon after retirement.

**An Emergency Fund.** Very few Filipinos save for an emergency fund. When medical emergencies happen, many suffer financial distress, as they desperately find immediate sources of funds to cover the cost of hospitalization, doctor's fees, medications,

and related expenses. In some cases, they drain what little savings they have left, or worse, they borrow money to fund this unplanned expense.

By now, you know that having money tucked away in a savings account offers you **peace of mind and increased happiness**. Having money to fall back on when financial problems happen also lets you sleep better at night.

Saving doesn't have to be difficult. You can save by simply living within your means. This means your lifestyle should match your income. Avoiding "lifestyle creep" is a skill that will pay off for you in the long term.

### Are You Experiencing Lifestyle Creep?

As your income increases, so should your spending. Sounds logical, but it's not.

Lifestyle creep, also called lifestyle inflation, happens when your non-essential expenses increase at the

same rate as your standard of living improves with “extra” income.

Ideally, money that’s left after you spend on necessities should be saved or invested. Lifestyle creep happens when you use your extra income to purchase a designer bag, sneakers, or former luxuries that have become “necessities” like a mobile plan upgrade.





## What Steps to Take to Achieve Savings Goals

Start with an emergency fund.

**W**

e learned that saving can be less of a challenge if we know what we are saving for.

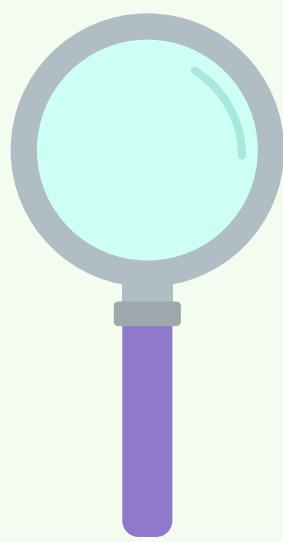
An emergency fund is known as a “cash cushion” because it helps you fund

unplanned expenses without touching the money you've set aside for spending on essentials.

Access to an emergency fund needs to be easy. This means you can withdraw cash anytime without having to wait. Keeping it in a time deposit, stock market investments, or even life insurance is not recommended. The rule is don't put your emergency fund in any banking or financial service that requires clearing or processing time before it's released to you.

Informal saving and lending schemes like paluwagan are also not recommended because they are very risky. Being unregistered and unregulated by the government, these schemes are prone to problems—say, someone runs away with the group's money. They may also unnecessarily limit access to your money.





## PALUWAGAN

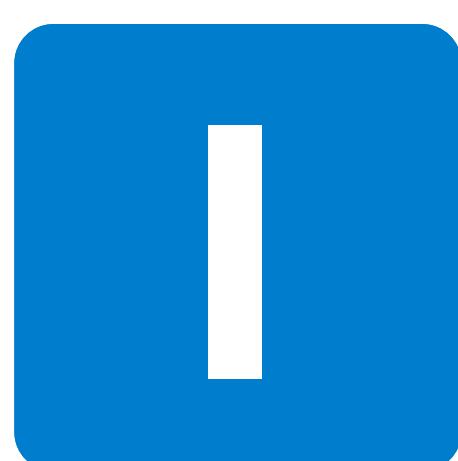
*Paluwagan* is a Filipino financial term that describes an informal form of saving and lending. It requires a group of people contributing a fixed amount of money into a pool of funds based on an agreed schedule. The pooled money is then given to a member of the group who acts as the collector or the manager of the funds. Any member can then borrow money from this pool of funds.

Keeping your emergency fund in a safe or home vault is also not a clever idea. You can lose it when an actual emergency causes damage to your home, like flood or fire, or when your money gets stolen or misplaced.



## Where Can You Put Your Savings?

Smart savings strategies you can consider.



Instead of having your funds tucked away at home, placing them in an account that earns interest is a better way to achieve your savings goals. Keeping your money secure is the first smart step in saving.

Choose high interest-bearing savings accounts over traditional savings with lower interests. High interest-bearing accounts are recommended for funds used for emergencies since they are easily accessible and secure. But remember to keep your emergency funds separate from your regular savings, which may be used for other purposes.

There's one more advantage to high interest-bearing accounts. Given the impact of inflation on your savings, this type of savings can lessen the impact of inflation on your money.

### How can inflation affect your money?

By Bea Lejano

If you have a PHP 50 bill, you will know that years ago, this could have bought you a decent meal with chicken and rice at a certain fast-food restaurant. Now, this same amount could just afford you sides like a set of large fries.



This is the effect of inflation. Inflation is the general increase in the prices of goods and services over time. In simple terms, inflation makes you spend more on the same thing. For example, the same cup of your favorite coffee would cost you a lot more today than back in 2017.

Inflation is troubling if your salary or income stays the same. This would force you to live frugally, lessen your expenses, and be more wary of what you're buying.

As for your savings, if these are not invested, then you're in a way "losing money" over time. These savings can buy less and less of the same amount of goods because of inflation.

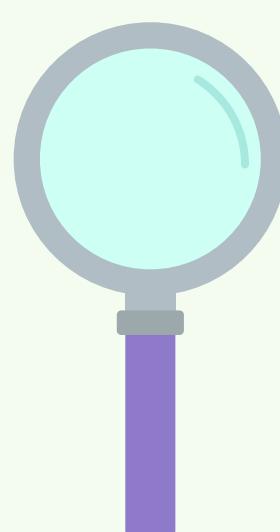
If you have investments and the inflation rate is higher than the interest rate you earn from these investments, then you are in effect, losing money as well.

To sum it up, inflation reduces the value of your money over time, so it is important to be mindful of how you manage and grow your money amid a high-inflation environment.

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*About the Author: Bea Lejano holds a masters degree in economics at the Ateneo de Manila University. She is a foodie and cannot function without coffee. She loves indoor cycling and tennis.*

Aside from a savings account, you may also consider putting your money in a time deposit. Like a savings account, a time deposit earns you a fixed interest on your funds. However, it will only allow you to withdraw on a set date, or what's referred to as the maturity date. You may withdraw before its maturity date, but there will be fees deducted from the money placed in a time deposit. So the funds you keep in your time deposit are those that you don't need for the time being.



### MATURITY DATE

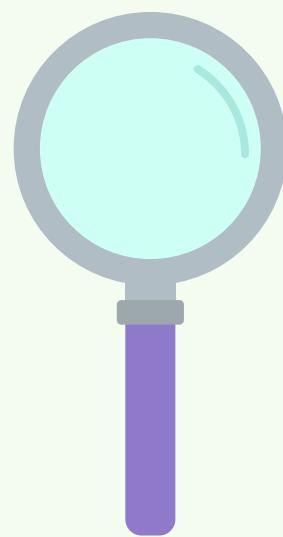
A maturity date refers to the time when you can withdraw your time deposit without penalties.

Time deposits give better interest rates than your traditional savings accounts. In addition, the longer the maturity of time deposits, the higher the interest earned.

There are also other options like the **MP2**, a voluntary government savings facility that allows any Filipino, including members of the home development mutual fund, Pag-IBIG, to

save and earn higher interests through dividends.

This savings facility requires you to keep your money with them for five years, which is the maturity period.



## DIVIDENDS

Dividends in savings accounts are like interest payments. They are portions of the profits shared by a company or an institution with stockholders every quarter or every year.

# Where to Put Your Savings

Here's a snapshot of options where you can keep your money

## Traditional Savings Accounts

### Pros

- Safe
- Easy access to cash
- Earns interest
- Easy to track spending
- Can automate bill payments
- Covered by deposit insurance

### Cons

- Earns lower interest
- Must visit a branch or an ATM
- Initial deposit required
- Minimal balance required
- Charges transaction fees

Recommended for paying off debts and automating bill payments.  
You may also put your emergency fund in traditional savings.

## Non-traditional Savings Accounts (e.g., digital banks, digital wallets)

### Pros

- Earns higher interest than traditional savings accounts
- Convenient online payments and fund transfers
- Some transactions have lower fees
- Safe
- Easy to track spending
- Flexible initial deposit
- Lower to zero minimum balance required
- Offers cashback promos
- Covered by deposit insurance

### Cons

- Too easy to spend online
- Cash withdrawal may take several steps
- No physical branches or ATMs
- ATM fees
- Limited amount for higher deposits

Can be used to start an emergency fund or fund your other savings goals.

## Time Deposit

### Pros

- Safe
- Covered by deposit insurance
- Earns higher interest than traditional savings
- Fixed period discourages impulse spending

### Cons

- After maturity, withdrawing cash requires processing time
- Can withdraw cash early but with penalty fees
- Fixed interest earned
- Higher minimum deposit required

Recommended for savings goals like a down payment for a home, a family vacation, or a college fund

**Government “Savings” facilities (e.g., Pag-IBIG MP2)****Pros**

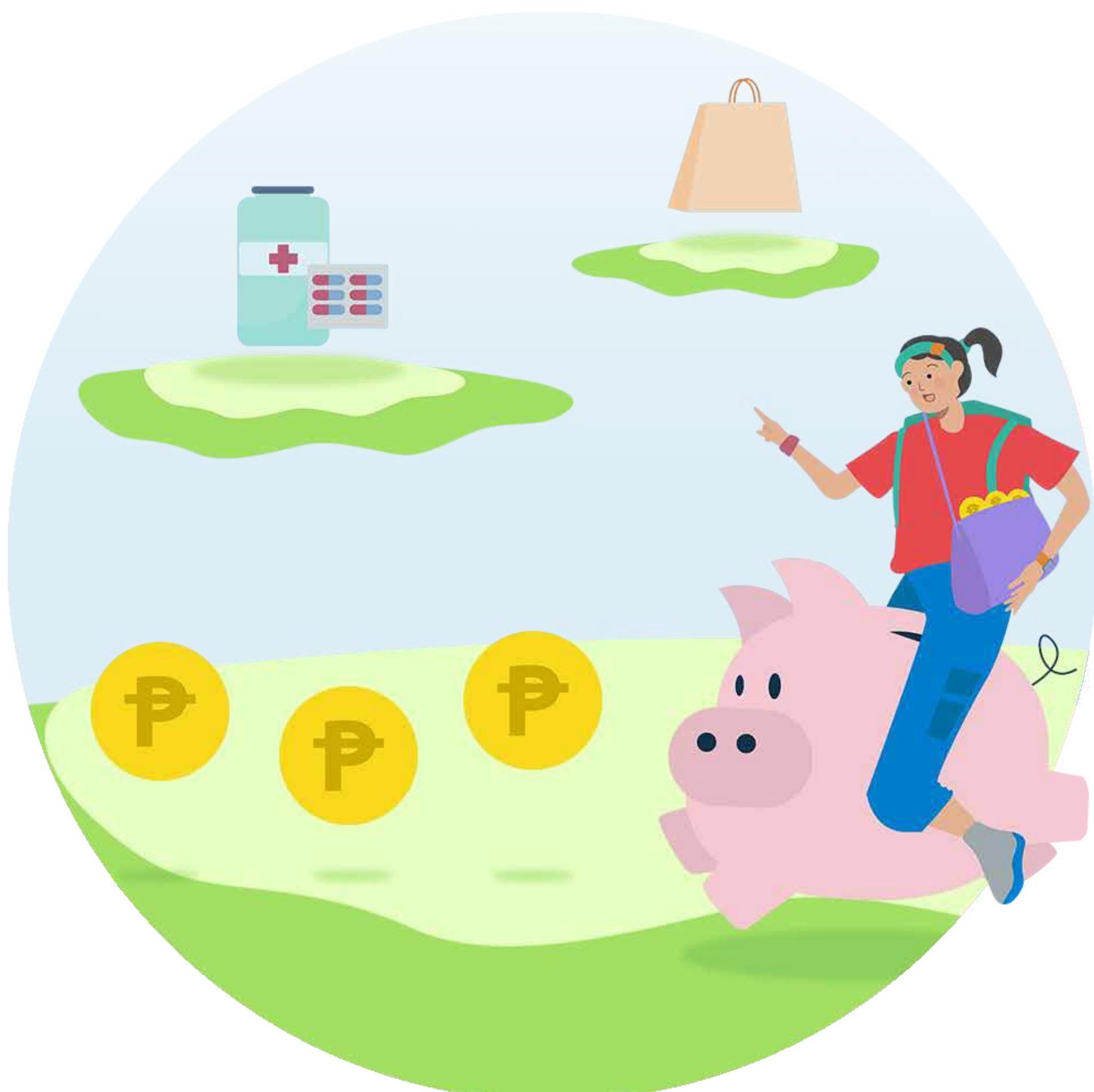
- Earns tax-free dividends
- Minimal initial deposit
- Government protects and grows the fund

**Cons**

- Can withdraw cash early but with lower dividends

Recommended to add to your long-term savings goals like your retirement.





## How to Boost Your Savings

Tips to consider when saving.



Assuming there are no significant changes in your income and expenses, here are ways to boost your savings.

### **Place money in interest-bearing accounts.**

Keeping your money in a bank is a safer and

worry-free way of boosting your savings. You just need to prepare the minimum balance required for a deposit. You also have other options besides a regular savings account like a basic banking account that requires no initial deposit but has a low minimum balance.

**Make saving automatic.** There are ways to make saving automatic. Some financial services allow you to automate the transfer of a portion of your payroll to a savings account regularly. You can also prompt yourself to save every payday, by simply setting a reminder on your phone's calendar.

**Create different accounts for different savings goals.** Open an account with a passbook for savings goals that discourages you from accessing your money. You can use this account to save for a long family vacation, or a downpayment for a home or a car. For your emergency fund, a savings account that comes with an ATM card makes for easy cash withdrawal. For long-term savings, find an account that will

not let you touch your money for a long time.

**Pay off your debt.** Set aside money to clear your debt. If you're unable to pay personal loans and credit card dues every month, finance charges and penalties can eat up on your savings. Prioritize paying your debts first, so you don't drain your savings.

### **Reduce your expenses.**

As discussed in previous chapters, it is important to be clear about your needs (by this, we mean your essential expenses) and wants (non-essential expenses). If you track your expenses according to your priorities, you will spend less. The “no-spending budget” and “survival budget” are useful approaches to reducing expenses. And with less expenses, you can put that money into your savings.



**Use rewards or cashbacks from banks and credit cards.** Take advantage of these benefits to save while you spend. Collect those rewards or cash backs from purchases made

online or whenever you shop. While these amounts are small, every amount unspent is money saved.

**Stay healthy.** As the saying goes, health is wealth. Medical emergencies can put a strain on your finances, especially if you don't have an emergency fund. Staying healthy reduces chances for any unplanned spending on hospitalization and medication.

**Get insurance coverage.** Health insurance is your best protection and financial buffer when you face health issues that require more than a visit to a doctor. Depending on your capacity to pay, health insurance covers certain illnesses, medical procedures, and medications that can otherwise drain your savings. You can also consider insurance to protect your assets, like your home—in case of a fire—and other properties, including your business. More on this topic in the next chapters.



# Shortcut

**HERE'S EVERYTHING  
WE'VE COVERED SO FAR.**

- It is important to know what you are saving for, so you can set clear and specific savings goals.
- Once you've figured out what you're saving for, it's important to know where you can put your savings. There are several options available to you.
- An emergency fund is the most important savings goal that you should set and aim for. This requires setting aside around 6 to 12 months of your living expenses for individuals, and more if you're married with children.
- There are practical ways to boost your savings using banking products and financial services that are available to you now. Know which one works for you.

READERS' SECTION

# Writing Your Savings Goals

Your savings goal should be clear and specific. It should describe what the goal is, the target amount, and your timeline. You can start with this simple activity.

**Instructions:**

1. Write down your savings goals, each with a description, the amount you want to save, and how long you want to achieve them.
2. Break the goals into smaller chunks so you can do them easier. Make the goals specific and measurable.
3. Calculate how much you can set aside monthly for each goal. Remember to allocate 20 percent of your income to your savings.
4. Finally, be flexible. You can change the items on your list as needed.



Savings Goals	Amount to Save	Amount of Time to Achieve Goal
<b>Example</b>		
1. 4-day trip to Boracay with family of 4	PHP 60,000	Nov 10, 2023
2. New laptop for side hustle	PHP 40,000	Dec 5, 2023

JOURNAL

# Save with More Confidence

Now that you know the what, the why, and the how of saving, it's time to read through these questions and reflect on your answers.

**Are you saving for emergencies  
like hospitalization or job loss? If not, why?**

**Do you know where to save your money and make it grow?  
Can you describe it?**

**If you have savings goals for this year,  
how do you plan to achieve them?**



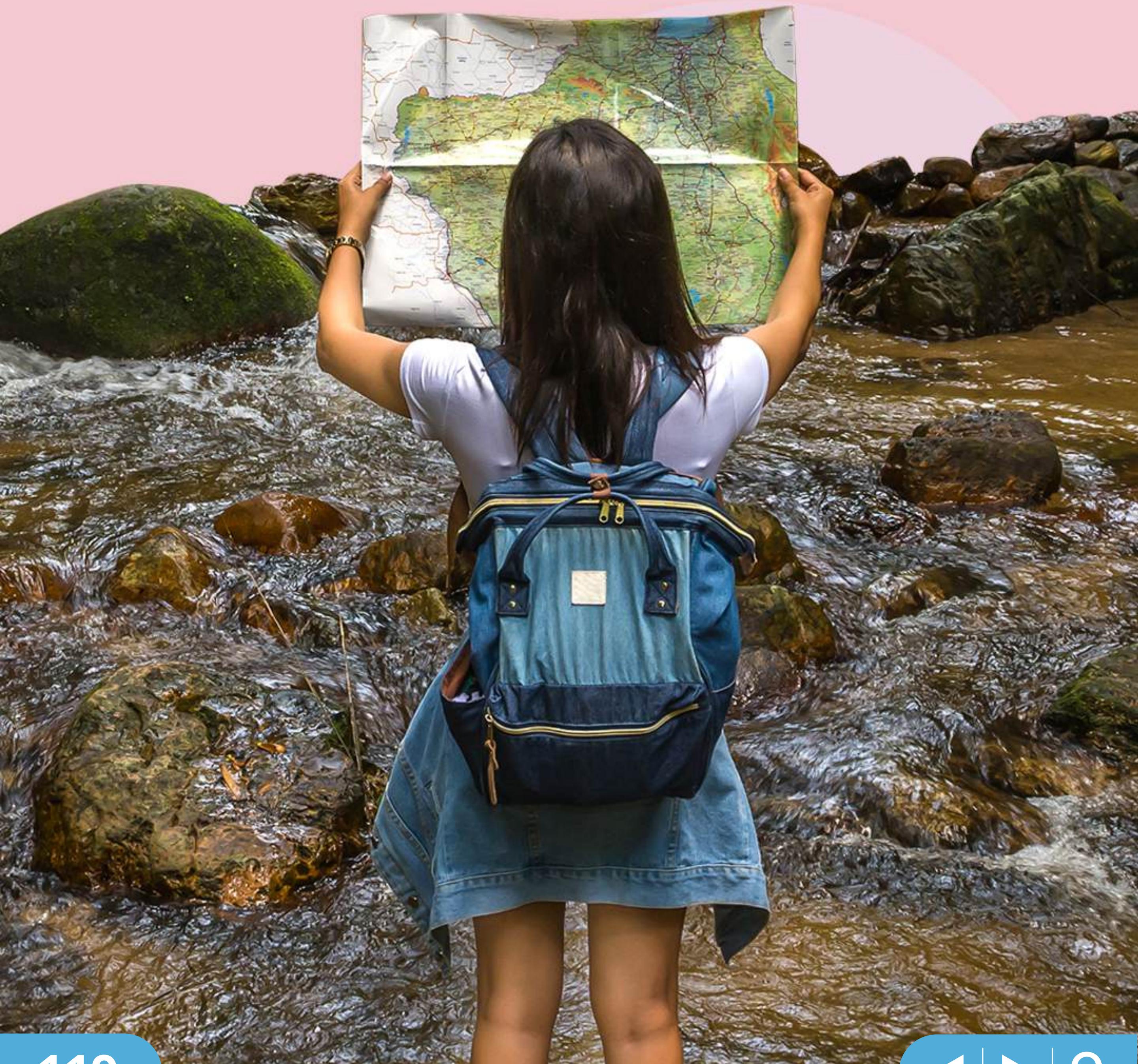
*Debt is one person's liability  
but another person's asset*

- Paul Krugman

CHAPTER 5

# Finding Your Way

## Through Debt



## What you will learn from this chapter:



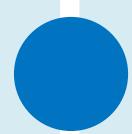
What is debt?



When does debt go bad?



Ways to get out of debt



Advice on staying out of bad debt



aybe you have heard a lot of your relatives, friends, or co-workers say, “*Baon ako sa utang*” (“I’m heavily in debt”). You may even be one of them. You are not alone. Many Filipinos are saddled with heavy debt. That’s why in this chapter you’ll learn more about debt, its effects on your financial health, and how to avoid getting into bad debt.

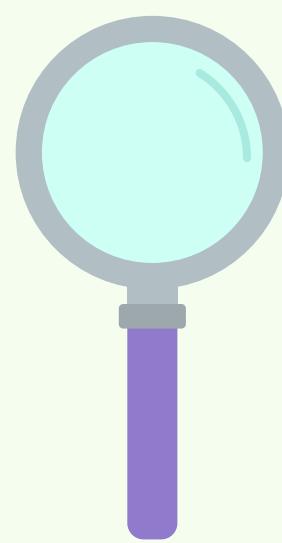
Debt and loans can be confusing as these words are used interchangeably. Let’s simplify these two words in this book. For loans, these are essentially financial products. Think of them as a car loan, home loan, or a personal loan, all of which you borrowed from a financial institution, such as a bank.

Meanwhile, debts are similar to a loan in that it is all the money you owe that needs to be paid back typically with interest. All the loans you have collectively become your debt.

You can also think of debt as your financial situation. For example, when someone says, “you’re in bad debt,” it means you have unmanageable loans you are not able to re-pay.

Debt and loans by themselves are neither good nor bad. It is in how the person borrowing can manage these loans, for what purpose, and in light of an overall view of their financial health.

But how does debt become “bad”? This is what we will tackle in this chapter.



## DEBT

Debt is the total amount of money owed by an individual that must be paid back with interest. It also describes the person's financial situation.

Most Filipinos would be in some debt and stuck in the vicious cycle of *utang*. Reports said that about 70% of Filipinos are stressed by debt and are struggling to stretch budgets or are in deep debt because they have been spending beyond their means.



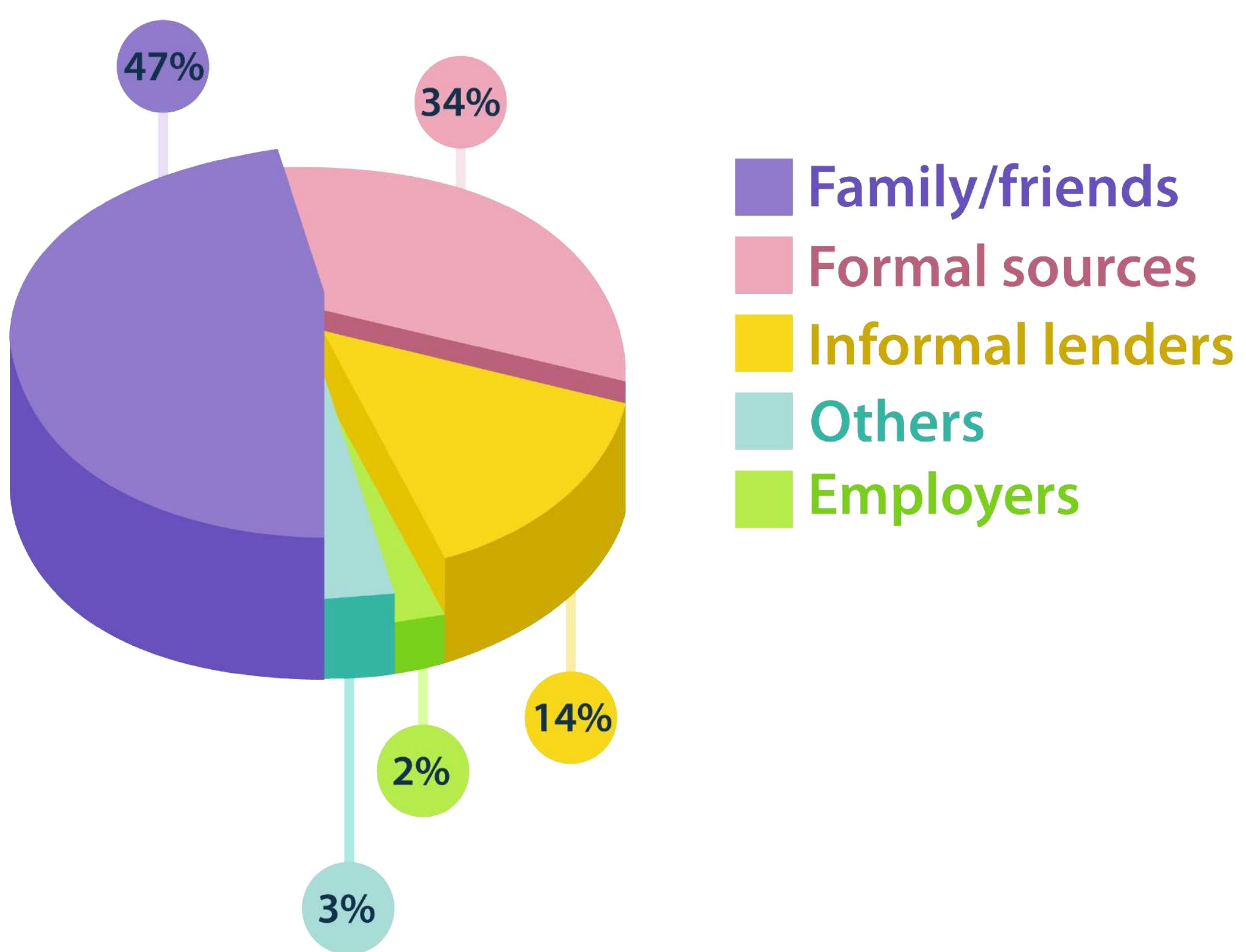
What makes their situation even more challenging is that they exhibit a "*bahala na*" (come what may) attitude wherein they let their debt problem fester in the hopes that some miracle will happen. This can lead to family conflicts and broken relationships.

In 2021, a [government study](#) showed that over 34.3 million Filipinos, or about 45% of adults, had unpaid debts. Over 47% of adults borrow from family and friends, while another 34% borrow from informal lenders. The same study showed that 14% believe that they cannot fully meet their debt obligations. Of these Filipinos who are in debt, lower-income Filipinos tend to borrow more often than those who belong to upper and middle-income segments.

They borrowed money to cover daily expenses, fund financial emergencies, and even pay for other debts.

A closer look at government data revealed that a substantial chunk of these debts was not with banks or financial institutions. Instead, Filipinos mainly borrowed from family, friends, or informal lenders.

## WHERE DO FILIPINOS BORROW MONEY?

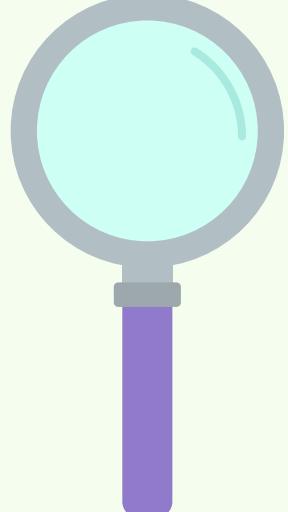


Source: [2021 Financial Inclusion Survey - BSP \(Bangko Sentral ng Pilipinas\)](#)

Informal lenders are mostly loan sharks. These private individuals and companies are not licensed to engage in lending activities.

They appeal to low-income Filipinos because they can borrow money without collateral or documentary requirements. This comes with a price. They charge borrowers interest rates of up to 20% or more. This practice, also known as usury, is a crime in the Philippines.

## COLLATERAL



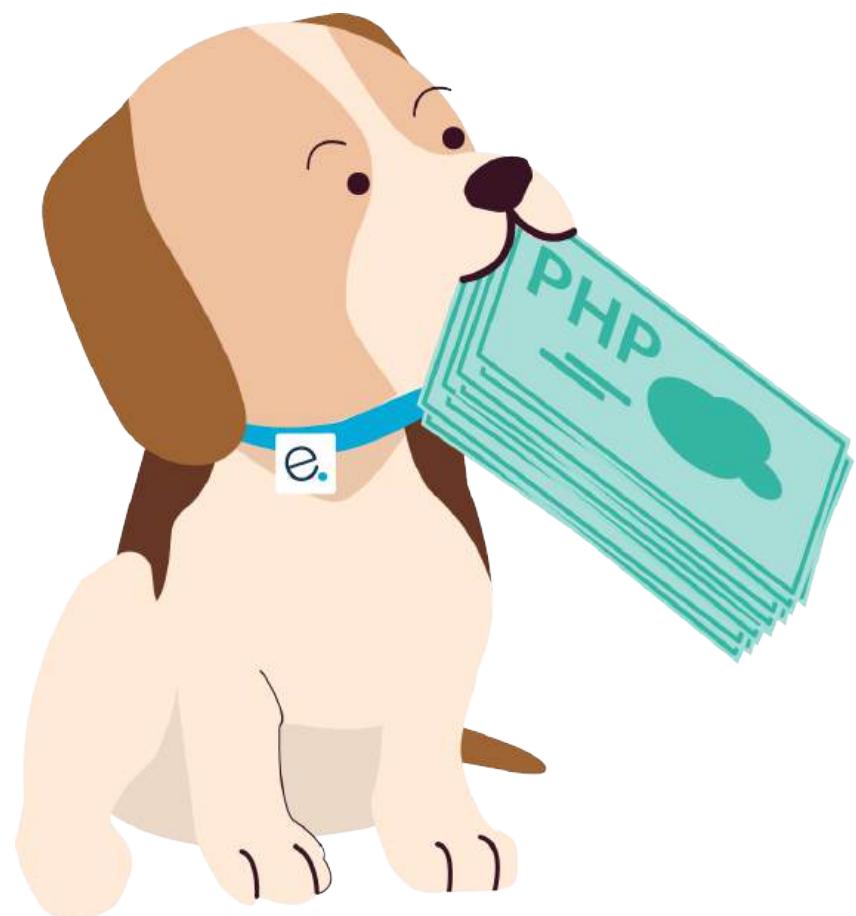
Collateral is an asset or item that you own that a lender accepts as security for letting you borrow money. If you are not able to repay, the lender takes the collateral as payment.

## USURY

Usury is the practice of charging interest rates on a loan that is higher than the limits set by law or government regulators.

But despite the bad reputation of *utang* among Filipinos, they understand that debt is not always wrong. There are many good reasons why borrowing money becomes an absolute necessity. Borrowing money for medical emergencies, buying a home or a car for mobility, paying for your children's schooling, and purchasing necessities are just

a few reasons. These will be discussed further in Chapter 6. But for this chapter, we will look into the effects of the state of indebtedness and the misconception about borrowing.





## When Does Debt Go Bad?

### HABITS THAT RESULT IN BEING IN BAD DEBT.



Traditional upbringing in our Filipino society has taught us that being in debt or "*may utang*" is always a bad thing and something we should avoid.

This traditional thinking is up there with the idea of saving money or "*mag-ipon ka lang*,"

which leads Filipinos to hesitate in investing.

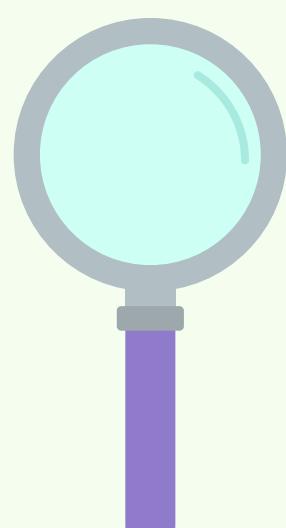
But the truth is, loans can be powerful tools to strengthen your financial capability and drive wealth-building. The crucial aspect that makes debt challenging is the borrower's attitude towards debt. Bad habits play a significant role in putting you in deep debt.

So, when does debt become harmful to your financial health? See if you are following one or more bad habits below that may lead you into bad debt:

- **When you borrow more than what you can budget.** Whether you don't have any existing debts or have several debts, borrowing more than what you can pay back regularly can strain your finances. The consequences can vary depending on the type of debt that you took and from whom. If you took out a home loan, your property might get foreclosed if you fail consecutively to pay the monthly mortgage. The same will happen when you have a car loan whose monthly payments you can't pay regularly, and your car may

get repossessed. You may also be unable to receive additional loans from other lending institutions when they find out you have unpaid loans. It's also not a good idea to keep expecting the next paycheck to pay off your debts, especially if your source of income is mainly from part-time work or your budding business venture that has yet to profit. Even worse is if you gamble a lot, hoping to take a big win.

## REPOSSESSION



Repossession is the act of retaking possession of a home or car bought through a loan after missed payments.

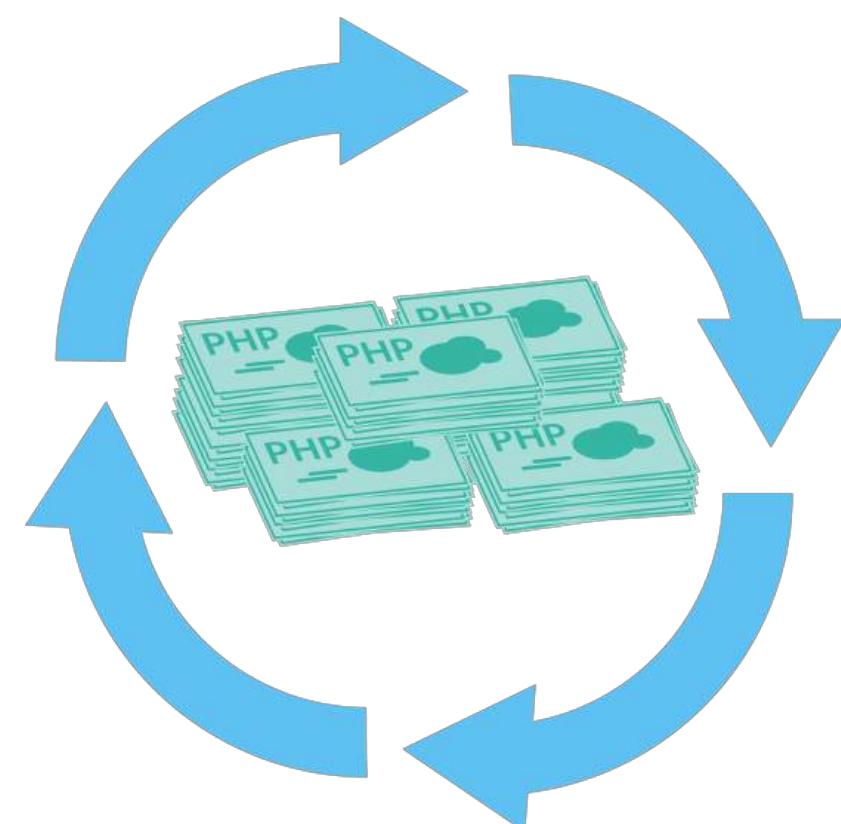
## FORECLOSURE

Foreclosure is a form of repossession but is used to refer to a series of unpaid loan payments.

- **When you fail to pay the monthly dues on time and in full.** Whatever amount you borrowed, the person or company you borrowed from will require you to pay the agreed amount at a specific date. Often, the payment of the borrowed amount is spread across several weeks or months. When you do not settle the

amount, you only increase your debt as it will incur more interest. The longer you avoid paying properly what you owe, the worse your situation becomes.

- **When you do not budget your expenses and regular payments.** Have you asked yourself, “*Saan napupunta ang sweldo ko?*” It’s not just you; many people have asked the same question. Failure to monitor cash flow and costs will negatively affect your overall financial health, and it may result in you having to borrow money when you run out of cash. It’s possible that your lifestyle may have improved over the years, and you have been spending more without realizing it. Failure to manage your expenses and borrowings can further worsen your debt problems.
- **When you keep spending beyond your means.** If you give in to peer pressure or fear of missing out (FOMO), you might



be driven to buy specific items to increase your status. You might also be enticed to purchase items just because they were on sale, but you don't need them at the moment. This becomes an even bigger problem if you do not have money and you resort to borrowing from others, overspending using your credit cards, or borrowing from lending apps that have been growing in number lately. It's not a good idea to act impulsively just to fit in.

- **Borrowing habitually to pay off other debts.** Most Filipinos would describe this as "*pinapaikot ang utang*." However, this can be problematic for individual borrowers, especially if the person does not keep track of the amount and from which lender the money came. Each debt already earns interest, and the borrower may accumulate more debt.
- **When you keep borrowing from informal lenders.** Some people prefer to borrow from informal lenders, such as moneylending shops and the occasional

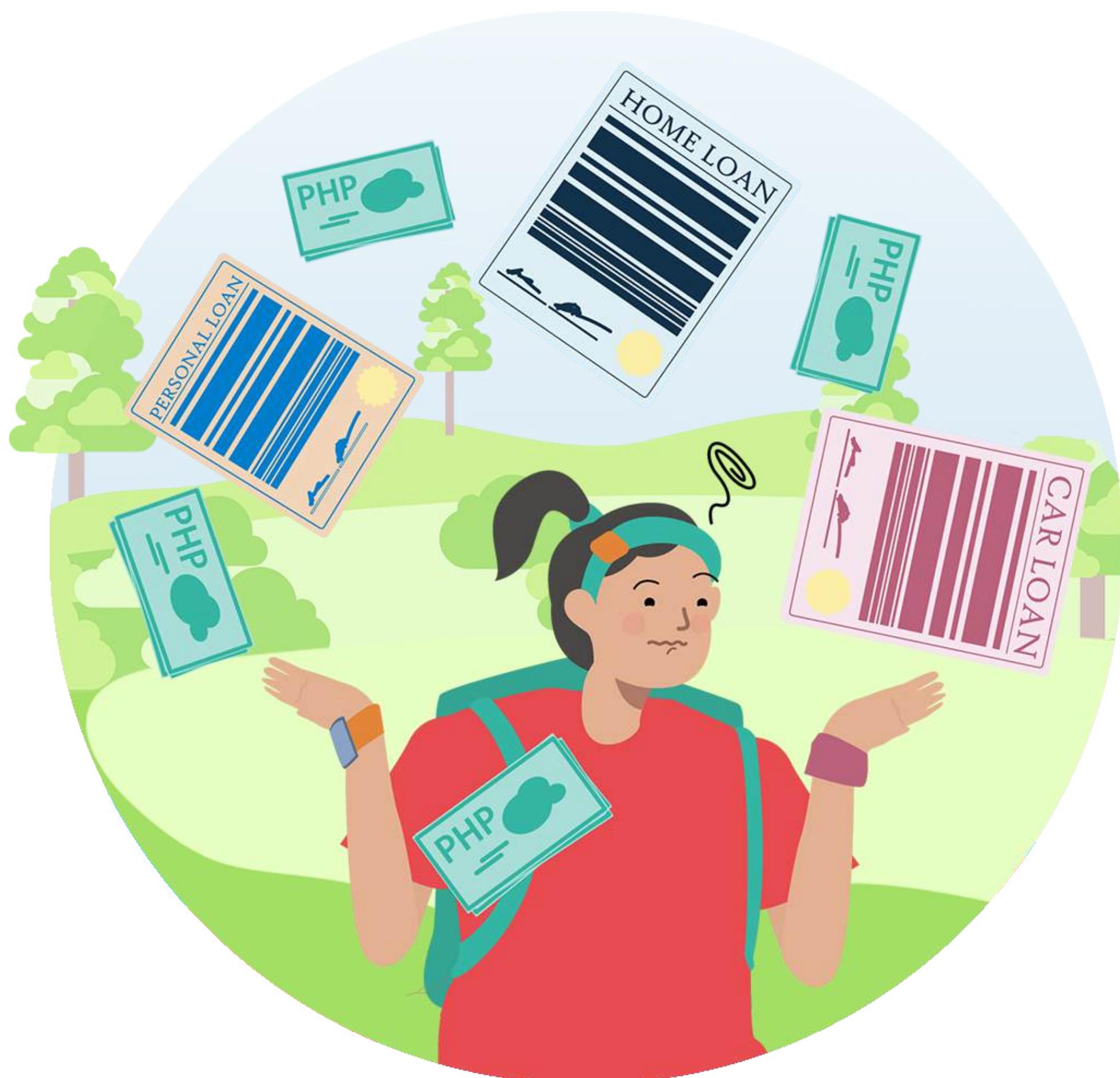
“5-6” lenders. Informal lenders appeal to many Filipinos because they do not require collateral, unlike formal lenders like banks. Informal lenders are also the only option for many Filipinos who either have no bank accounts or already heavily in debt. But these lenders charge deceptively high fees. They also can cause distress to the borrower by constantly contacting them even before the lending term ends to intimidate them and threaten litigation if the borrower fails to pay on time. Many informal lenders exploit their borrowers’ desperation by continuously lending them money, making them indebted indefinitely. As such, avoid borrowing from informal lenders.

- **Borrowing from family and friends.** As stated by the BSP in its 2021 Financial Inclusion Study, most Filipino adults owe some money from their family and friends. They are usually the first to be approached because they are more



accessible, and the terms are looser. It is also the most abused source, as some borrowers expect their family and friends to be more lenient with their financial conditions. This type of habit can cause a lot of arguments among family members, souring relationships, and can destroy friendships.





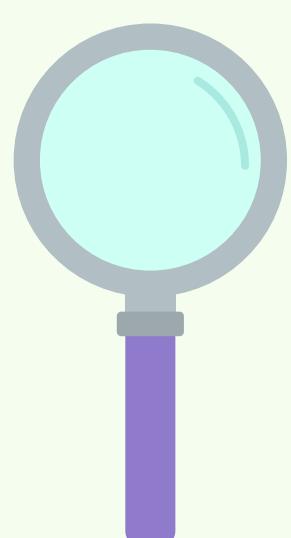
## How to Get Out of Debt

**ADVICE ON DEALING WITH DEBT.**

**B**eing unable to pay your debts properly has a significant impact on your financial health. It may reduce your spending capability and push back your financial plans. Failing to manage your debts can also contribute to a low credit score, making it harder to borrow money from other financial institutions at favorable rates.

## CREDIT HISTORY

It is a record of your debt payments to different financial institutions, particularly banks and lending firms.



Your loan payments (on time, missed or delayed), and credit and loan accounts form your credit history.

## CREDIT SCORE

A credit score is a system banks and lenders use to help them decide whether you qualify for a loan or a credit card. It utilizes your credit history as basis for your score, which a financial institution uses to decide if you can borrow.

Here are some strategies that can help you manage your debt:

**Assess your debts.** First, assess the extent of your debt situation. Account for all your debts, including the balances owed, interest rates, and monthly payments. Doing this gives you a clear picture of the total money you owe and how much you need to pay and earn each month.

**Follow your budget plan.** Dipping into your savings is the wrong way to start. Recalling Chapter 3, creating a budget is critical to managing debt. In your monthly budget, list down your monthly income and expenses, and decide how much you can give towards paying off debts. When

you prioritize your debts, pay off those with the highest interest rates first.

Another choice is to temporarily reallocate some of your money meant for savings to reduce debt.

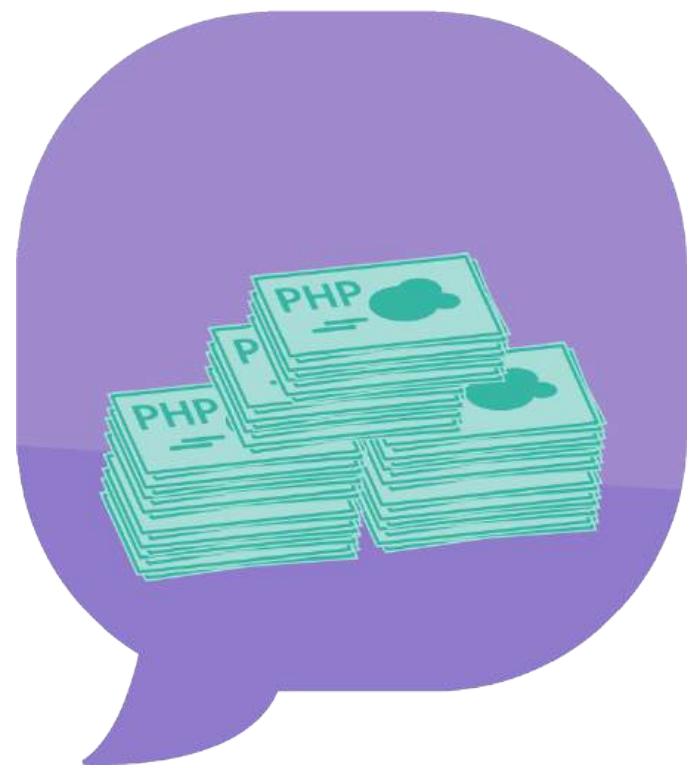
**Commit to paying monthly dues on time and in full.** After listing all the debts you've incurred—including their balances, interest rates, and time frame—start paying them on time and in full. Prioritize paying high-interest debts first; they'll keep growing the longer you have them.

**Cut unnecessary expenses from your budget.** Stop spending more than your budget allows. Only buy what you and your family need. Review your spending. If you can, find alternative products or services that are on par with the ones you are used to. If you are a frequent traveler, especially abroad, substitute it with something closer to home, which costs much less.



**Consider debt consolidation.** If you are dealing with multiple loans, opt for debt consolidation. Do your research. Talk to banks or lenders willing to accept your debts and even offer advice on combining loans into one with a manageable interest rate. Consolidation lets you take out one loan designed to pay off all loans. In this way, you can focus on repaying one lender every month at the best interest rate offered.

**Negotiate with your lenders.** Lenders are in the business of taking profits. If you fail to pay what you owe, lenders would also be at a loss; they have nothing to gain from bad debtors. You also need to avoid informal lenders. Sure, they don't require collateral, and their loan approval may be fast, but their interest rates and payment periods may be complicated, especially if you fail to read and understand them.



**If you can, don't take on new debt.** This is probably the most challenging part of

managing debt. It will be hard trying not to borrow more. You already know that getting more debt you can't pay can negatively affect your financial health. If borrowing again becomes necessary, consider reviewing the details of your agreement with the lender and include it in your overall debt repayment plan.

**Find other income sources.** Whether you've been laid off or your salary is not enough to pay your debt, you might want to consider different ways to raise the money needed to pay your debts. You can sell items of value, such as existing property (if you own more than one), jewelry, electronics, furniture, or even collectible toys. Of course, you don't have to sell everything. Just those that have less value for you now. These can help you tide over until you have repaid your debts. Another way is to take on a part-time job or side hustle that you can do on weekends. This will be discussed later in Chapter 11.

“

The crucial aspect that makes debt challenging to manage is the borrower's attitude towards debt. Bad habits play a significant role in putting you in deep debt.

Your history of paying off debt makes up your credit history and is something that formal lenders track. Being able to budget for it and pay it as scheduled means you can build on a good credit history (thus, a good credit score) and be given a chance to get higher-value loans that can make your financial journey toward wealth creation even more manageable.



## Talking to your family about debt

Talking about money among family members can be difficult, especially related to debt. It can affect your family's way of life, so it is only practical and necessary to tell them about it. Here are tips on how to talk about debt with family:

### Be honest

- 1 If you are in debt, your family must know. This will help them understand your situation.



### Commit to a plan

- 2 Tell your family that you are paying off your debts. Be diligent in pushing through with your plan.



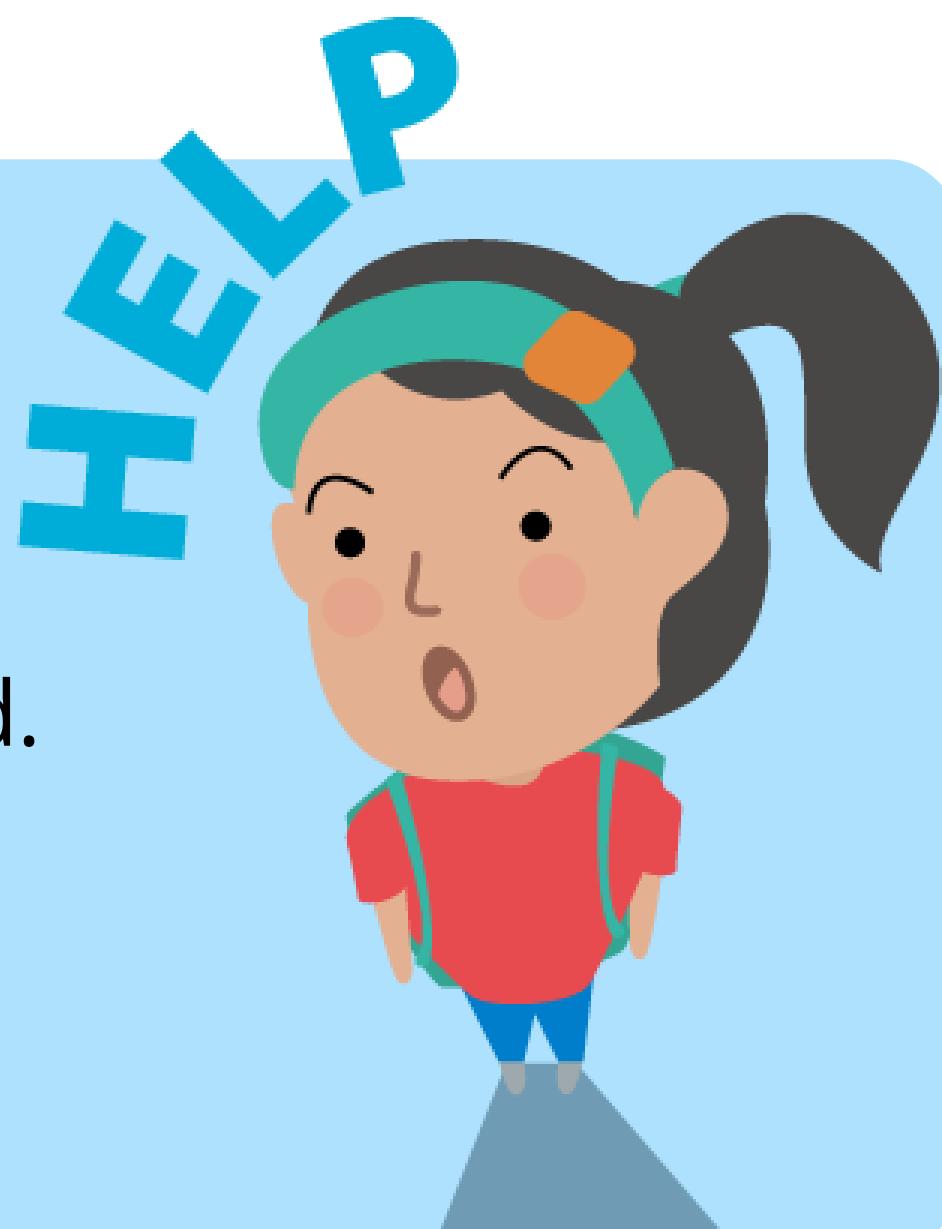
### Set boundaries

- 3 When your family knows your debts, you can tell them about the changes that need to happen, such as how much you must spend on groceries and utilities.



### Ask for their help

- 4 If you're not the only one earning in the household, your other family members can pitch in to lighten the load. Others can do their part by lessening their spending and improving cost-efficiency within the household.





## Ways to Stay Out of Bad Debt

**ADVICE TO HELP YOU FROM BEING  
IN BAD DEBT.**



Dealing with debt is a challenging and stressful experience. But it is an experience you might face at some point.

If you're not yet in bad debt, that's great! But if you're already managing some debts,

take note of these suggestions both as a refresher and as a reminder so that you can reach your goals.

**Create a budget plan.** You must stick to a budget to track your income and expenses. This should include your needs and prioritize savings, some investments, and loan repayments. If you're the type who wants to spend it on some enjoyment, then set a budget, but make sure that it's still within your income.

**Build an emergency fund.** Save three to six months' worth of your expenses (check how much you spend in a month when you budget) and help you prepare for emergencies. This fund should also cover unexpected costs, such as expenses from medical needs, accidents, and others.



**Don't be taken by peer pressure and FOMO.** You may have been coerced into

getting something you do not need or have the money to pay for. For instance, buying a new and expensive gadget is slightly better than whatever you currently use or clothes that are the current trend. Purchasing without planning is a sure-fire way to start racking up bad debts.

**Get insured.** Insurance, which will be discussed later in this book, can vastly improve your capability to prepare for emergencies and even keep you away from being in deep debt. There are a variety of insurance products that cover your needs, from medical to business insurance. Even travel insurance covers delays in your scheduled flight, loss of items, and when you suffer a medical emergency while on a trip.



**When borrowing, read and understand the terms.** As you grow older and your needs increase, you might be compelled to borrow. That's okay if you understand

the terms of your borrowing from the lender. Always read the terms and conditions before signing any borrower's contract with any lender. Look at how much interest you need to pay, your monthly payment dues, and how long you need to pay. Don't be afraid to negotiate interest rates with lenders. You can also look around and compare terms with other loan providers.

**Commit to paying monthly dues on time and in full.** It cannot be stated enough that paying all your bills—from utilities, mortgages, loans, and credit cards—can protect you from spiraling debt. If you can, avoid paying the minimum on your bills and pay in full. Even paying the minimum will incur fees; if you keep doing it every due date, those fees will pile up. Doing so will also improve your credit score, which will be beneficial when you take out a loan, as lending institutions and even credit card companies will base their decision to give



you a loan on your credit score.

**Plan for significant expenses.** Planning for big purchases is part of creating a savings and budgeting strategy. These may include saving for a downpayment on your house or car purchase, travel, or buying devices for work or leisure. A plan for significant expenses also motivates you to look for ways to add to your income to ensure those plans are met.

Dealing with debt is a challenging experience. But by taking these steps, you can regain control of your finances and hopefully sleep well at night.





# Shortcut

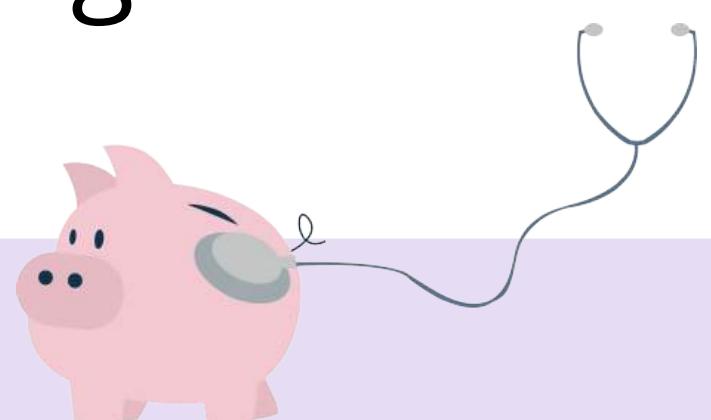
**HERE'S EVERYTHING  
WE'VE COVERED SO FAR.**

- Filipinos suffer from borrowing too often from informal lenders and friends and family, even across different socio-economic classes.
- Borrowing is not inherently bad, but a worsening debt situation can be caused by bad habits. Debts that keep piling up can harm your financial health. Some debts are just bad to begin with, such as those offered by informal lenders who may be coercive and could charge high fees.
- The first step to managing debt involves starting and sticking to a budget. Paying off bad debt should be a priority because it helps you get back on track to good financial health.
- Many Filipinos, whether earning more or earning just enough, deal with debt. But dealing with debt is not easy and is a concern within and outside the home.
- Finally, there are practical ways of dealing with debt. You can start by assessing the extent of your debt and committing to a plan on how to pay it. You can seek the help of a certified financial advisor.

READERS' SECTION

## Create a Debt Payment Plan

Getting out of debt is no easy feat. It requires patience and persistence. The process takes time, effort, and discipline. Follow these steps and move closer to achieving better financial health.



### Instructions:

1. Gather all records of debt to see how much you owe, and to whom.
2. List them down. Include the lender, balance, interest rate, and minimum payment.
3. Prioritize debts with highest interest rates first while making minimum payments on other debts.
4. Look at your budget. Choose expenses you can cut back to free up cash. Pay attention to non-essential costs and see what you can save.
5. Set specific goals and a timeline for paying each debt. Then, track your progress.



Debt/Loan Description	Minimum Monthly Payment Required	Starting Balance	Actual Amount Paid	Date Paid	Ending Balance
<b>Example</b>					
1. Hospitalization of Mom	₱12,000	₱120,000	₱12,000	Jan 2, 2023	₱108,000
			12,000	Feb 2, 2023	96,000
			12,000	Mar 2, 2023	84,000
2. Home damage repair	₱5,000	₱40,000	₱5,000	Feb 15, 2023	₱36,000
			5,000	Mar 15, 2023	31,000



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# Think About Debt

Now that you know how debt affects your financial health, as well as your relationship with those around you, reflect on these questions and write your answers below.

**How do I set my budget to pay off my debts?**

**Do I have a lot of debt? How can I manage them?**

**Do I borrow too much? How do I reduce borrowing?**

**What do I look for to differentiate legitimate lenders  
and informal lenders?**



*Some people want it to happen,  
some wish it would happen,  
others make it happen.*

- Michael Jordan

CHAPTER 6

# Paving the Path to Understanding Loans

## What you will learn from this chapter:

- What are loans?
- Why do you need to take out a loan?
- When and where can you take out a loan?
- Some tips on how to take out a loan

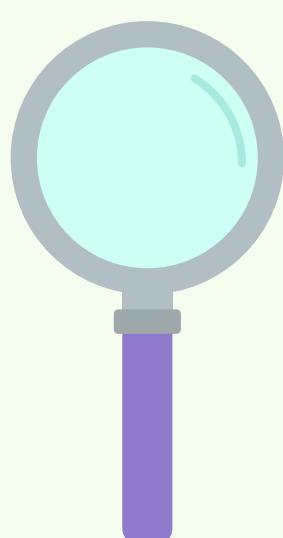


If you recall from Chapter 5, having unmanageable debts can hamper you from achieving good financial health. Unmanageable debts interfere with your savings and your savings goals. It becomes difficult if you have a family, especially if you are the sole breadwinner.

To avoid unmanageable debts, you need to build financial discipline—knowing how to budget, save for the future and financial emergencies, and pay what you owe on time, and if you can, in full.

In your life, loans will become essential to you. Loans help fulfill life milestones like buying a home, renting a car, or even growing

a small business. Loans bring long-term value, such as funding the operations of a small business to accommodate more customers or your further education.



## LOAN

A loan is money you borrow that comes with interest.

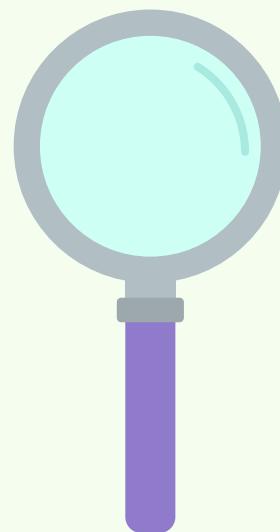
As a borrower, you are expected to pay back the equivalent of what you borrowed with interest. Moreover, a loan is made up of:

- The **principal** or the original amount of money that you borrowed
- **Interest** or the amount of money collected on top of your principal during a loan term
- **Loan term** or the agreed time that you must pay back a loan



There are two types of loans. One is a secured loan, which requires collateral –an asset or item that you own that a lender accepts as security for letting you borrow money. Common collaterals accepted for secured loans are real estate and deposits.

The other type of loan is unsecured –a one-time amount or an amount that can be paid back gradually. It may also require a guarantor.



## GUARANTOR

A guarantor is another person or party that promises to pay back a loan if the original borrower fails to pay it back.



## Why Do You Need A Loan

**LOANS HELP YOU ACHIEVE SHORT AND LONG-TERM GOALS.**



ere are reasons you want to take out a loan. The more common one involves securing additional money for a downpayment for a new family car and fresh funding for education or a small business.

A loan can also help you achieve personal financial goals. It can help augment your cash when savings are not enough to cover the cost of a big-ticket purchase.

Loans provide access to additional money that current income could not fulfill at a specific time. And since it is borrowed money, you must pay it back based on a chosen schedule.

The longer you pay back a loan, the higher the interest. This is when you multiply the

$\text{Principal} \times \text{Interest Rate} \times \text{Time}$ . No matter how low the principal or interest rate is, if you are paying a loan for a more extended period, you end up paying back the lender a higher amount.



Here are other reasons why you need a loan:

**Buying a car for convenience or a house for security.** A new car or a home becomes a life goal when you want to have a family.

Remember, while a car's value goes down due to wear and tear, it offers a means to go to work (and skip stressful commutes) or have road trips for the family. There are also psychological benefits like having some peace of mind and comfort that come with having a house that you can call your home.

**Securing your children's future.** If you have children, savings may not be enough to cover additional educational expenses. While saving up for your children's education is essential, you may not have enough for higher education, which costs around PHP 250,000 a year in a Philippine university. A loan can help supplement your current income, and thereby help manage your budget.

**Loans covering an emergency.** Setting aside money for an emergency fund must come first. But if it's not enough, you can take out a loan to cover unexpected events in life due to medical and non-medical emergencies, natural disasters, or even personal accidents.

## Starting a small business or upskilling.

If you are planning to run a small business, a business loan is something you can consider. The loan can pay for buying the necessary equipment, supplies, or even rent, that comes with setting up a new stream of income. This loan can also later fund expansion or the upgrade of your equipment and facilities. Make sure you have a sound business plan that sees your business grow with the help of the loan, while the income that the business earns will hopefully pay for the loan.

### Would you rather pay in cash?

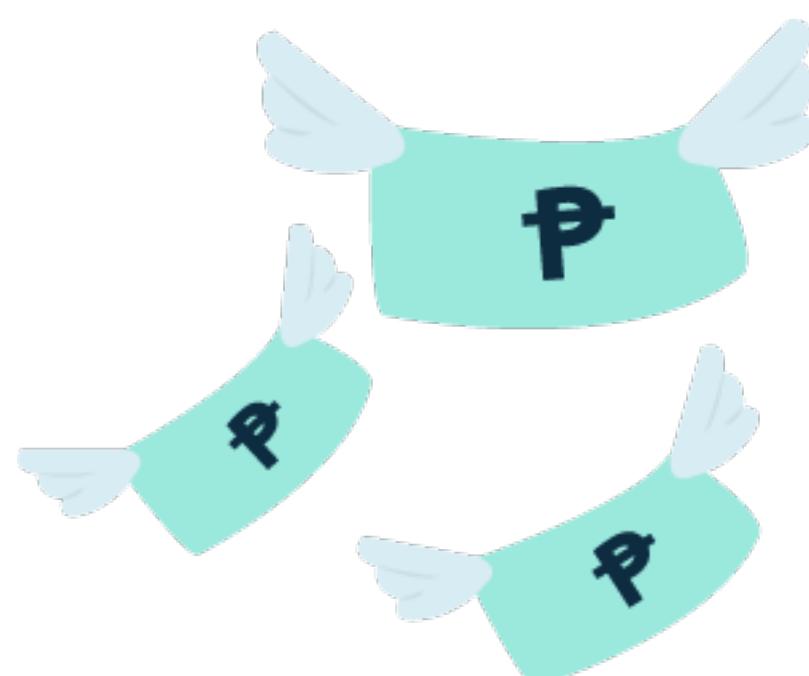
Some prefer paying in cash rather than taking a loan. So, what is the upside of paying in cash versus taking a loan?

- When paying in cash, you are not charged any interest. You only pay for the actual price of an item.
- Discounts are given when you pay in cash for a big purchase like a home or a car.

- Paying in cash forces you to spend within your budget.

Meanwhile, what are the downsides of paying in cash?

- It may drain your savings if you do not set aside money for specific purposes.
- You may not have enough cash to pay for an item.
- It is inconvenient and unsafe to carry around a lot of cash. You might lose it to theft or neglect.
- For those with good credit standing, taking a loan may be an option even if they have the cash at hand. The reason is that they take a low-interest loan and put the extra cash into an investment that produces a higher interest yield than the loan interest. This way, you can make a purchase while growing the extra cash.





## When and Where Can You Get A Loan?

**THINGS TO CONSIDER WHEN A LOAN IS  
THE ONLY OPTION.**

**Y**ou need to weigh your decision before taking out a loan, primarily if you have heard about other people's bad experiences. But if you have financial goals that require a large amount of cash, then you should consider taking out a loan.

Before you start heading to a bank or a lender, here are some things to consider when taking out a loan, whether as a first-timer or as a repeat borrower:

**Review your current financial health.** From the lessons in Chapter 2, you need to look at your financial health first. Do you have existing debts, which you need to prioritize and pay off soon? Can your emergency fund cover unexpected expenses? Can you use your savings or extra cash to pay for a big purchase?

**Define the purpose of your loan.** Are you borrowing money to buy a car, a home, or to fund an education or business? Make sure your loan's purpose is clear. However, consider that loans should help improve the quality of your life or will generate economic value for you, such as learning new skills which can help you get promoted in your job. Do not be tempted to borrow to buy non-essential items during mall-wide sales or online shopping promotions designed to make you spend more than you can afford.

## Determine your capacity to pay a loan back.

Is your current income enough to pay for the money you will borrow? Do you have other assets that you can put as collateral? After you have checked your sources of income and your monthly budget, see if you have enough to take in a loan. If you are diligently budgeting, adjust it to fulfill your loan payments.

After considering the above, know where you can borrow money.

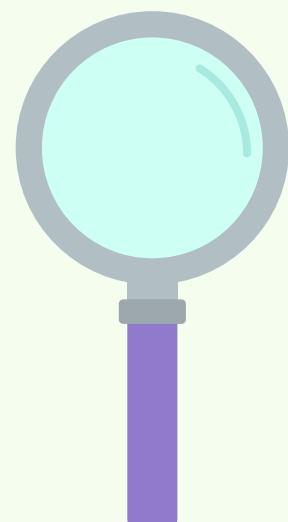
**Banks** offer a wide range of loans, from personal to home and car loans. Banks are regulated by the Bangko Sentral ng Pilipinas (BSP), so they follow strict requirements for evaluating borrowers, so that these borrowers can repay what they loaned. Banks also request collateral or a guarantor.

**Lending companies** are lenders that offer small loans to individuals and small-to-medium businesses. The Securities and Exchange Commission regulates these companies. Their loan terms are short—from a month to up to 12 months, depending on the loan type. The interest rates, however, are usually higher than that of commercial banks.

Government institutions like the **Social Security System**, the **Government Service Insurance System**, and **Pag-IBIG** also offer multi-purpose loans to member individuals. The purpose of the loan varies from personal, home, or even expenses related to a calamity. The Department of Trade and Industry, the Department of Science and Technology, and the **Small Business Corporation** extend loans to small businesses in the agricultural and food sectors.

Lending institutions, specifically banks, use the debt burden ratio (DBR) to compute the loan amount you can repay, including the amount you can borrow. This is shown as a ratio of the needed loan payments to your monthly income. Lenders often use this to gauge if you are a capable borrower who can qualify for a loan, or someone who may need help committing to payments and is prone to default.

## DEBT BURDEN RATIO

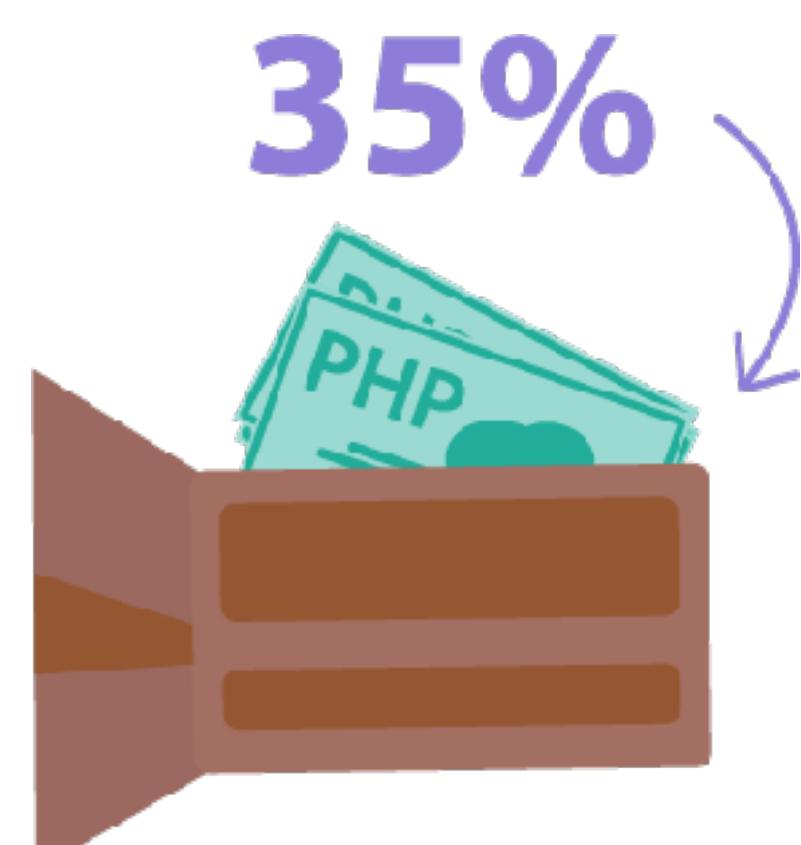


The debt burden ratio or DBR is your total monthly loan payments divided by your monthly income. It is expressed in percentage. The higher the DBR, the less your financial capacity to pay for additional loans.

## DEFAULT

A default happens when a borrower stops paying debts due to lack of funds.

To understand your DBR, let's look at your monthly income and your total monthly loan payments. Let's say you are earning PHP 50,000 a month, and you are paying PHP 35,000 for loans every month, your DBR is at 70%, which is high. Given this DBR, a lending institution may give you a lower loan amount to make sure you have the money to repay the loan. The lender may also decide not to give you a loan at all.



Personal finance experts vary in their recommendations on the acceptable total monthly loan payments. As a guideline, your total loan payments should be in the 30%-35% range of your monthly income. Keeping your monthly repayments at that range will give you enough elbow room to pay for your essential expenses while saving or investing.

So, whatever reasons you have for taking out a loan, remember that you must first have the financial discipline and capacity to pay it back on time, and in full.

## Would you consider a brand new or used car?

Car loans are among the most popular types of loans in the Philippines because a car can provide you the mobility to bring you to work and conveniently take your children to school. However, you will need to bear responsibility for its care, which can be costly. Now, would you consider a secondhand car instead?

A brand-new car is often the first choice because of several advantages. There are few or no mechanical issues because parts are new. There is also a warranty from the manufacturer if there are issues. Overall, you have peace of mind that the car will run smoothly.

However, a new car comes with some disadvantages. It is more expensive, and once you drive it out of the dealer's showroom, the price depreciates.

Meanwhile, a secondhand vehicle costs much less to buy, insurance costs less, and a well-maintained vehicle can work like it is brand new. Some of its disadvantages are mechanical failures due to wear and tear for older cars, requires more regular maintenance, and the transfer of

ownership can be time-consuming. Also, pre-owned car mechanics are unknown to you. There may be hidden issues in the engine and electronics, which you will only find out after buying.

If you plan to buy a secondhand car, consider buying a certified pre-owned car from a reputable dealer with a warranty. If you are eyeing a used car from a private seller, you should do your homework on the car's mechanics or state so you would not be purchasing one that was flooded, stolen, damaged from a major accident, or have other issues that were hidden by a fresh coat of paint. Another consideration would be how many owners this car has been through.

A secondhand car is relatively new if it is less than five years old, have only traveled an average of 10,000 kilometers per year, and is well and regularly maintained by the owner.

So, whatever your decision will be, there are loans available for purchasing a brand-new vehicle or a used one. Car loan experts vary in their recommendations as to how much of your income should go to car loans. Some recommend that it should be about 30%. But to avoid putting you in a difficult situation, 15-20% of your income should go to paying for a car loan.





## What Lenders are Looking For

IMPROVE YOUR CHANCES OF  
GETTING A LOAN.



You are just a few steps away from getting a loan. Now that you know what and why you need to take out a loan, you should be prepared with some requirements that will be used to evaluate your creditworthiness.

Banks and lenders use these requirements and factors to decide if your current financial capacity matches the loan you're asking for and how long you can pay it back based on your income.

**Do you have collateral?** Some lending institutions, especially banks, require collateral, which a lender can possess if you fail on your payment obligations. When you apply, take note of the assets you own that have measurable value, like real estate or a car.

**Do you have capital?** This is often asked by lenders for business loan applications. Capital refers to financial resources or assets that can be used to generate income. In the case of a business loan, lenders want to know if you have available cash and assets that could be used to fund your business.

**Do you accept the conditions of the loan?** If you are getting a personal loan, the lender will ask for more details about the purpose of your loan. If it is a small business loan, you

will be asked about your business' revenues, growth opportunities, and potential risks. This evaluates if the loan would grow your business while ensuring returns.

**Do you have the capacity to pay the loan back?** Simply put, you have the capacity if your current income is enough to pay for your debts. A lender often asks for proof of your capacity to pay on an agreed payment term. Show the computation of your income and existing loans using the DBR method.

**Do you have the right character profile to qualify for a loan?** Character refers to your overall reputation, credit history, and personal background. If you are a first-time borrower, you need to build your credit history, for example. So, it is often good to start by showing previous loans, if any, or if you have a credit card and pay your monthly dues on time.

As you grow your credit history, lenders would be more confident in granting you loans.



## Stories of people who took out loans

The following stories are examples of people who took loans from a bank or a lending institution. Their motivations vary from one another, but each one weighed their decision and had good reasons to finally borrow money.

### Story #1

Lee, a 35-year-old corporate manager, was recently promoted. Her promotion boosted her monthly income to PHP 95,000 a month. She saved diligently and put together PHP 1.5 million to pay for a condominium unit worth PHP 3 million. Her savings were enough to cover the downpayment, but she needed another PHP 1.5 million to pay the rest of the property's cost.

So after carefully evaluating her financial situation, she decided to get a bank loan to cover about half of the condominium's cost. She used her

savings to cover the downpayment and took a long-term loan for the remaining cost from a bank. She eventually managed to get a 10-year loan term at a 3-year fixed interest. This loan amounted to PHP 18,000 in monthly payments for the first 3 years. After which, she plans to negotiate with the bank for lower interest. All in all, her monthly loan took 19% of her monthly income, a manageable amount if we are to look at her DBR.

### Story #2

Anne, 39, started an online business selling eco-friendly home products. She earns PHP 40,000 in monthly net sales. To help expand her business, she needed PHP 200,000 to rent additional warehouse space, buy additional stock of her products, and hire a part-time assistant for three months. She updated her business plan, which incorporated the additional cash infusion from the loan. The business plan highlighted that the loan could add about 70% of the existing monthly revenues to her

business for the first three months. This amounted to PHP 68,000 in added monthly income.

She managed to get a business loan from the Department of Trade and Industry (DTI). The loan was for 12 months with an interest rate of 2.5% per month. Anne paid PHP 21,666 monthly. While her income was still relatively low compared to the monthly loan amount she was paying, she expects to grow her income due to long-term benefits from the loan.

Whether you are trying to get a loan for the first time or need to adjust your existing loans due to unforeseen changes in your financial situation, there is no substitute for coming in prepared.

Here are practical ways to negotiate for a loan:



- **Be ready.** Do your homework. Ready relevant documents like proof of income, bank statements, income tax return, and a valid ID. If you are renegotiating your loan, bring updated information about your financial situation. Remember to calculate your DBR and show that your loan payments are within 35%.
- **If it is required, ask for help from a guarantor.** Bring your guarantor's signed letter and their identification documents to help convince the lender of your sincerity and seriousness in using the loan.
- **Create a payment plan.** A payment plan details how you intend to pay back the loan, including how much of your income should go to the loan every month. When you negotiate with your lender, always ask for extended payment terms or lower interest rates by stating key reasons, such as your capacity to pay, the value of your collateral, or even potential returns from the loans you are asking.

- **Relax.** Borrowing is like applying for a job. Your confidence can also significantly affect the person's perception of you. Your lender wants assurance that the person he or she is giving the money can use the amount and pay it back.
- **Have a list of lenders in mind.** If you do not get approved the first time, try others. Always have a list of lenders who you can approach. It does take a while to look for one who is willing to lend you what you need. Once you do, always remember to commit to the terms you agreed with the lender. You will never know if you need to ask for a loan from the same lender again.





# Shortcut

**HERE'S EVERYTHING  
WE'VE COVERED SO FAR.**

- You need loans to secure funding for life's important milestones like buying a car, or home, or scaling up a business.
- Ensure you borrow from lending institutions, such as banks and government agencies, that are regulated by the Bangko Sentral ng Pilipinas or Securities and Exchange Commission.
- Loans are financial products that can help improve the quality of your life, especially if you are using them for education or to fund a small business that would generate income for you.
- Before taking out a loan, review your current financial goals, define, or describe the purpose of the loan, and check your financial capacity to know if you can pay the loan back on time and in full.
- Be prepared to negotiate with a lender. Ready relevant documents and updated information about yourself before you start negotiations.
- How much can you afford to loan if you plan to buy a home or a car? Would buying a secondhand car be better if you decide to forego a loan instead?

READERS' SECTION

## A simple way to track down your loans

It is easy to forget how much of your monthly loans you must pay. Here is an easy way to track it down.



### Instructions:

1. List down all your loans.
2. Split the three details: principal amount, loan term, and interest rate.
3. Use a free loan calculator to compute your loan payments.
4. Then, write down your monthly income and compare it with your loans.
5. Check your debt burden ratio.  
The percentage should be at most 35%.



Loan Type	Principal	Interest Rate (%)	Loan Term (Months)	Monthly Amortization
<b>Example</b>				
1. Car loan	₱500,000	30.26% (annual)	60	₱7,598
2. Home loan (first 5 years)	₱2,500,000	6.75% (first 5 years)	120	₱28,706 (first 5 years)

**Total monthly loan payments (B)**

### Debt Burden Ratio Calculation

#### Example

Monthly income (A)

₱110,000

Less: Monthly loan payments

₱36,304

Total

₱73,696

Debt Burden Ratio (A/B)

33%

\*35% is the maximum acceptable debt burden ratio

JOURNAL

# Borrow with Confidence

It is better to understand your short-term and long-term needs, and if they can provide you with happiness and satisfaction. Remember, borrowing money requires financial discipline to pay it back in full and on time. Start with your goals.

What are your financial goals, and can you afford them?

Are your earnings enough to achieve these financial goals?

To achieve your financial goals, should you take out a loan, and can you pay for it?



*There's no harm in hoping for  
the best as long as you're  
prepared for the worst.*

- Stephen King

CHAPTER 7

# Insurance: Protecting You

## From Unexpected Events



## What you will learn from this chapter:

- Why you need insurance
- What are the benefits of insurance?
- What you need to protect
- When should you get coverage?



Now that you've learned good budgeting and saving habits, managing debt, and making loans work for you, let's see how you can protect yourself and your family and the gains you've made on your financial journey.

**Government data** shows that 44.4% of the total health spending of Filipino households in 2023 were "out-of-pocket" payments or spending that came from their savings and money borrowed from friends and family. The same study found that on average, Filipinos spend around P11,000 per year on health services.

However, you may think that P11,000 is insufficient to cover Lola's medical bills or Tatay's maintenance medicines, especially when the PSA



states that the average Filipino family income is only P300,000 yearly (that's P25,000 per month).

And you would be right—but how can you augment your savings regarding unexpected events and emergencies that require money? Simple: through insurance.

Many still believe that insurance is only for the wealthy. Beyond covering an individual's healthcare, insurance can protect things you value, including your home or car, a small business, or even things you use to generate income.

The truth is that everyone needs insurance—and everyone can (and should) have one.

## INSURANCE



Insurance is a way to protect yourself from big and unexpected expenses. You pay a small amount of money regularly to an insurance company. In return, the company helps pay for certain costs, like doctor visits, hospitalization, or major car repairs. It's like having a safety net for when things go wrong.

**Myth: “Insurance is expensive and only for those with higher incomes.”**

**Fact:** Insurance has become more affordable and accessible to Filipinos. Many insurance providers today offer affordable premiums that can easily be included in your monthly budget. In most cases, you cannot afford not to have insurance.

**Myth: “My employer’s health benefits are enough.”**

**Fact:** Not all health benefits are the same. Depending on the employer’s budget, some offer limited coverages or only reimburse partial amounts to pay for a medical emergency. If you’re self-employed, your coverage and your dependent’s coverage may be limited by your budget.

**Myth: “My savings are enough to cover financial emergencies.”**

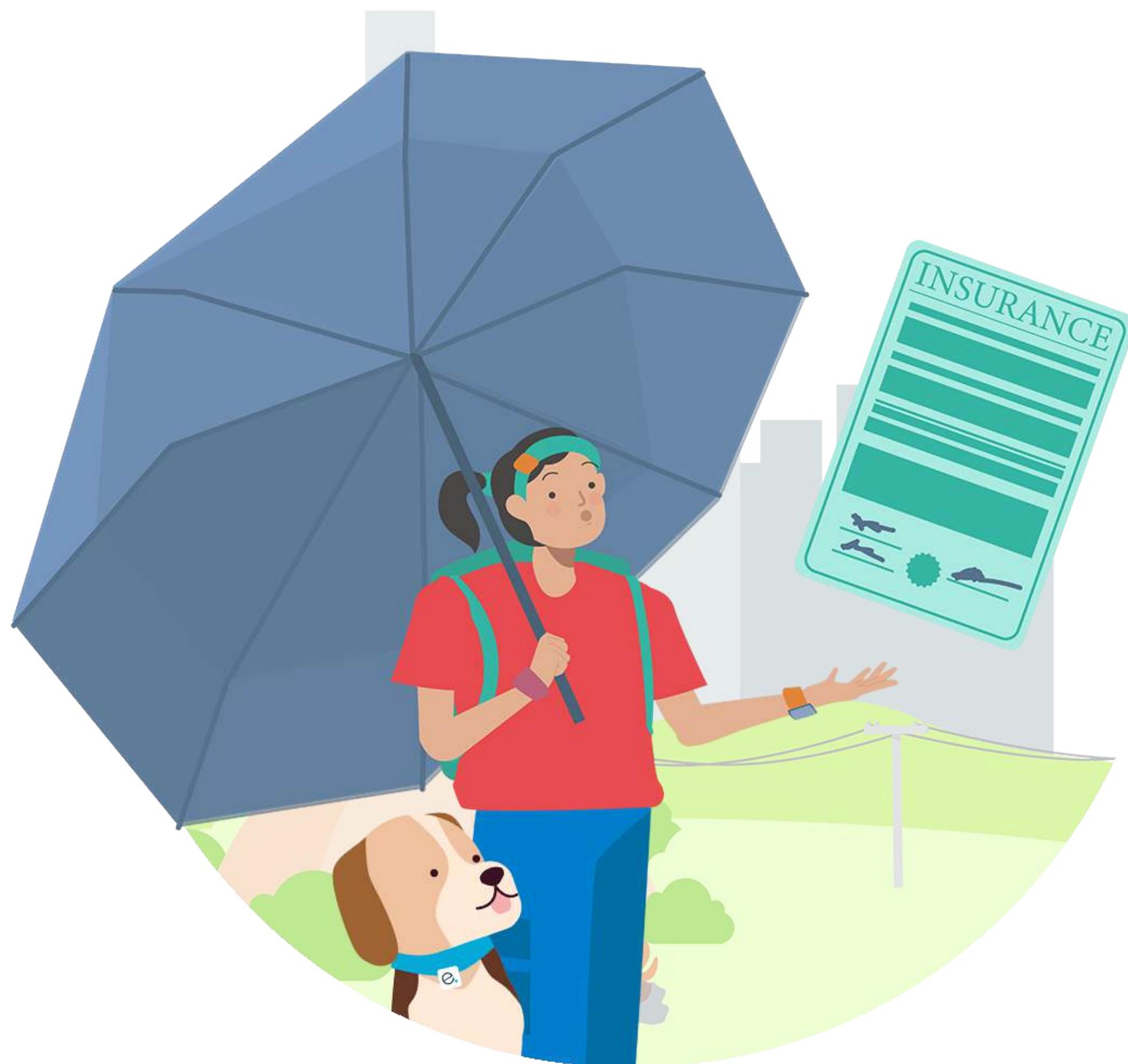
**Fact:** It is wise to put aside some of your savings to an emergency fund, which can cover some of the costs of a financial, including medical emergency. Health insurance coverage can

provide some financial buffer against unexpected events, especially when expenses are beyond what you can afford or set aside as savings. In most cases, unforeseen accidents and sickness may require money way above what your emergency fund can cover.

**Myth: "I can't use insurance while I'm still living."**

**Fact:** Life insurance is meant to protect your family when you pass away. This is important, especially for the heads of the household who should be looking out for their loved one's future. Insurance also helps fund expenses when you get into an accident or if you get sick.





## The Benefits of Insurance Coverage

### WHAT COVERAGE CAN WORK FOR YOU.

I

nsurance is a financial product that offers benefits to people who purchase them. It protects and prepares you for unexpected events. And while many of us don't want to think about bad things happening to us or our families, insurance ensures that you are not financially overwhelmed when these incidents happen.

Apart from general financial protection offered to you, insurance offers these other benefits:

**Protecting your family from unexpected events that affect you.** Insurance prevents you from dipping into your savings in case of a personal accident, a medical emergency, or your untimely death. Insurance becomes more important if you're the breadwinner, generating most of your family's income.

**Protecting your assets and things of value.** If you just bought a home or a car, insurance protects it from theft, loss, and damage due to accidents, man-made events, and natural calamities. This protection applies to equipment or gadgets you use that help generate added income, such as an expensive camera if you're a professional photographer.

**It gives you some peace of mind.** Knowing that it offers a financial buffer to unexpected and unforeseen expenses, you will feel less stressed and anxious when they happen. Insurance also provides quick recovery of your income because it enables you to re-purchase equipment you need to keep doing your work

or side hustle.

Currently, most people get their life or health insurance policies from friends who are financial advisors. Then again, most banks also partner with insurance companies and offer these products directly to clients.

So, your insurance depends on what kind of protection you need and who or what you want to protect.

## Insurance Terms You Should Know

Insurance Term	
Policy	A written contract that provides details of your insurance.
Policy holder	This is you who owns an insurance policy. The policyholder is the insured party, which may include dependents, such as spouse and children, identified in insurance policy documents and is responsible for paying premiums
Insurer	The company that offers the insurance coverage and services as detailed in an insurance policy.
Beneficiary	A beneficiary is an individual or a group chosen by the policyholder to receive the payout from an insurance policy when something happens, like in life insurance when the policyholder passes away or other triggering conditions.

Insurance Term	Definition
<b>Coverage</b>	Unexpected events like death, personal accident, sickness, or damaged property that are included in a policy.
<b>Premium</b>	The amount of money you pay for your policy. This may be in the form of a single payment, or several payments made monthly, quarterly, or annually, depending on your payment terms.
<b>Payouts</b>	It is the policy's benefits that an insurer approves and gives to the policyholders and beneficiaries after they file for a claim.
<b>Claim</b>	An insurance claim is a formal request for payment by a policyholder or beneficiary to an insurance company.
<b>Term</b>	A specific period or duration when the policy is in effect.
<b>Deductible</b>	It is the money you pay out-of-pocket before the insurance company pays the balance of the claim.
<b>Pre-existing conditions</b>	It is any health or medical condition you had before getting a new health insurance policy, like asthma, diabetes, or heart disease. Insurers often ask about these when you apply for a coverage.



# What Can You Insure?

**PROTECT WHAT YOU LOVE AND RELY ON FOR YOUR INCOME**



An insurance policy is an agreement between an insurance company and a policyholder, which is you.

So, anything and anyone can be insured if an insurance company agrees to cover it and you're willing to pay the set premium, which is the amount of money you pay for coverage.

Insurance can be generally divided into two main categories: life and non-life.

Life insurance offers payouts to named beneficiaries when you pass away. This happens as long as premium payments are up to date, and the policy is valid.

Meanwhile, non-life insurance offers financial coverage or compensation when your car, house, business, or other assets get damaged or stolen. This is also known as general insurance and can cover property and other circumstances, such as travel.

While you are often aware of life, health, home, and car insurance, you can also get coverage for anything you value, such as your business, jewelry, artwork, gadgets and even pets, as long as the law does not explicitly prohibit it.

Here are common types of insurance:

## Types of Life Insurance

### 1. Term Life Insurance

**What is it?** It is a simple type of life insurance that covers a limited number of years. The term is usually set for 5, 10, 15 or 20 years, or until the policyholder reaches a specific age, such as 65 or 85, depending on the insurance provider.

**What does it cover?** It provides financial benefits if you—the insured, pass away during the set term of the policy. As a simple life insurance, there are no other benefits, such as savings or an investment component.

**Pros and cons:** This insurance is the simplest and most affordable option. It provides a guaranteed payout to your family if you pass away during the policy term. If you outlive the policy, there's no payout, and renewing it later will likely cost more due to your age.

## 2. Whole Life Insurance

**What is it?** This insurance offers coverage for the rest of your life and includes a cash value that you can withdraw when you're still alive.



**What does it cover?** Whole life insurance can remain in force during your lifetime—as long as you continue to pay the premium.

**Pros and cons:** Along with a guaranteed death benefit, you also earn a minimum return on the policy's cash value while you're still alive.

The fixed payments make it easier to budget. However, these added benefits make it pricier than term life insurance, so it might not be the best option for those with tighter budgets.

## Types of Non-Life Insurance

### 1. Health or Medical Insurance

**What is it?** Health or medical insurance provides financial coverage for medical expenses due to illnesses, injuries, and other health conditions. It covers doctor's visits, hospital stays, surgeries, medications, and preventive care.

**Pros and cons:** Health insurance helps with medical bills, but the cost of your premiums can vary. You get access to doctors and hospitals, but cheaper plans might limit your options. Most plans cover some preventive services, though not all plans include everything. If you already have health issues (pre-existing conditions), you might pay more for your plan since insurers see it as a higher risk. So, it's important to think about these extra costs when picking your coverage.



## 2. Home Insurance

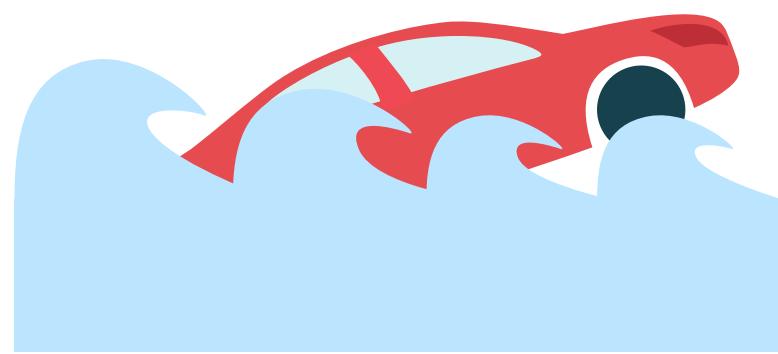
**What is it?** This covers your residence or property. It protects you from unexpected financial loss brought about by theft and damages to your residence, along with furnishings and other assets within the home.

**Pros and cons:** Since real estate values tend to go up, your home insurance policy can cover up to the current market value of your property. This may be more than what you initially paid for. This insurance is clearly useful in the event of fire, flooding, or earthquake. Meanwhile, comprehensive home insurance can be costly. But the cost of not insuring your home can ruin you financially in case of a devastating event.

## 2. Car Insurance

**What does it cover?** Car insurance is a financial safeguard in case something happens to your car, such as an accident, theft, or damage. It typically covers the cost of repairs, medical expenses, and legal fees if you are involved in a collision. It also pays for damage or injuries you cause to others. So, car insurance helps you avoid paying a big bill when things go wrong on the road.

**Pros and cons:** Comprehensive car insurance not only covers your car if it's stolen or damaged due to an accident or disaster, but it can also cover injuries or damages caused to others. This includes medical expenses for people hurt in an accident and damage to other vehicles or property. This is important in case you're responsible for an accident, as it helps protect you from paying those costs out of pocket. The price of your premium depends on the car's model, and filing claims might raise your rates when you renew the policy.



### 3. Commercial Insurance

**What is it?** Commercial insurance helps keep your company going during tough times. It covers different crises, like property damage from fires, natural disasters, lawsuits, or even business interruptions that stop your operations.

**Pros and cons:** The cost of the insurance depends on the risks involved and the size of your business, which can range from tens to hundreds of thousands of pesos a year. The good news is that these insurance premiums

can be deducted from your business taxes. In terms of crises, commercial insurance usually covers events like natural disasters like floods and earthquakes; fires or property damage; legal issues like lawsuits for accidents and mistakes; and business interruptions like shutdowns due to unforeseen events. This protection helps you recover financially when unexpected events affect your business operations.

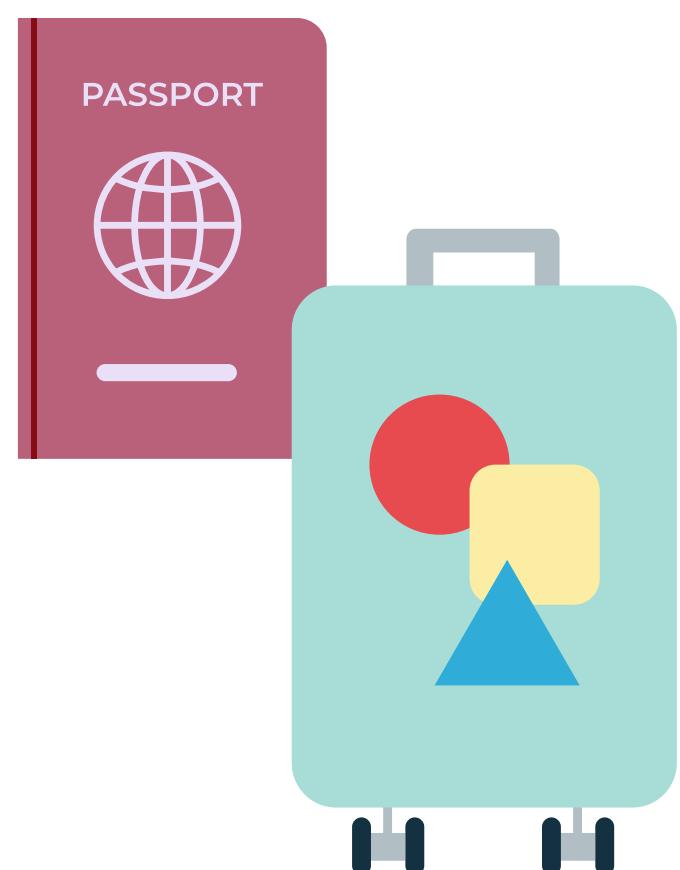
## 4. Travel Insurance

**What is it?** If you love to travel, this insurance can protect you from unnecessary expenses brought about by risks in traveling.

**Pros and cons:** Travel insurance gives you peace of mind by covering non-refundable costs if your trip gets canceled or delayed. It also protects against lost or damaged luggage and important items like passports. However, like most insurance, you only use it if something goes wrong—if your trip goes perfectly, it's just an added cost. Other common coverages in travel insurance include medical emergencies while abroad, trip delays due to weather or strikes, emergency evacuation for health or safety

reasons, and accidental death or dismemberment during travels.

It's designed to help reduce the stress and financial burden of unexpected issues on your trip.



## 5. Pre-Need Plans

**What is it?** This insurance helps you pay for services you'll need later, like education, memorial plans, or retirement benefits. It lets you set aside small payments now, so when the time comes or the policy matures, you can use it without having to pay a large amount upfront. It's a way to save for the future in a structured way. Some popular pre-need plans available include educational plans to cover future tuition and educational expenses, memorial plans to cover funeral and burial costs, pension plans to provide a lump sum or monthly pension when you retire, and life plans that provide a benefit to your family when you pass away. These plans give peace of mind knowing future costs are already taken care of.

**Pros and cons:** This insurance offers protection against price shocks due to inflation and rising market costs. For example, a pre-need plan allows you to save for your child's education because this protects you from tuition inflation.

But there are instances of pre-need companies closing down and leaving their customers empty-handed. This is why it's important to do your homework and due diligence, and to deal only with reputable and reliable companies.

## 6. Microinsurance

**What is it?** This type of insurance is often short-term and available at lower rates. It is offered to individuals and families who can't afford more expensive insurance policies.

**Pros and cons:** Because the coverage value is lower than standard insurance plans, policyholders pay smaller premiums. However, smaller premiums mean that benefits also tend to be smaller.

## Other Types of Insurance

There are other types of insurance for "tools of the trade" or the equipment you use when you work.

You can now get protection for your smartphone, expensive camera gear, or even your laptop from possible theft, loss, and damage. The cost will depend on the value of your

gadget or equipment and the coverage you choose.

## What is VUL?

Variable Universal Life (VUL) insurance is a type of life insurance that also lets you invest. Part of what you pay goes to your life insurance, and the rest gets invested in things like stocks or bonds, giving your money a chance to grow over time.

It's flexible because you can adjust how much you pay and even use the cash value if you need to through loans or withdrawals. But, VUL has higher fees than other types of insurance, like term life, and there's a risk that your investment might not grow if the market doesn't do well.

This type of policy is great for people who are comfortable with some risk and want both life insurance and the chance to grow their money through investments.





## When Do You Need Insurance?

**KNOW THE BEST TIME TO GET INSURED.**

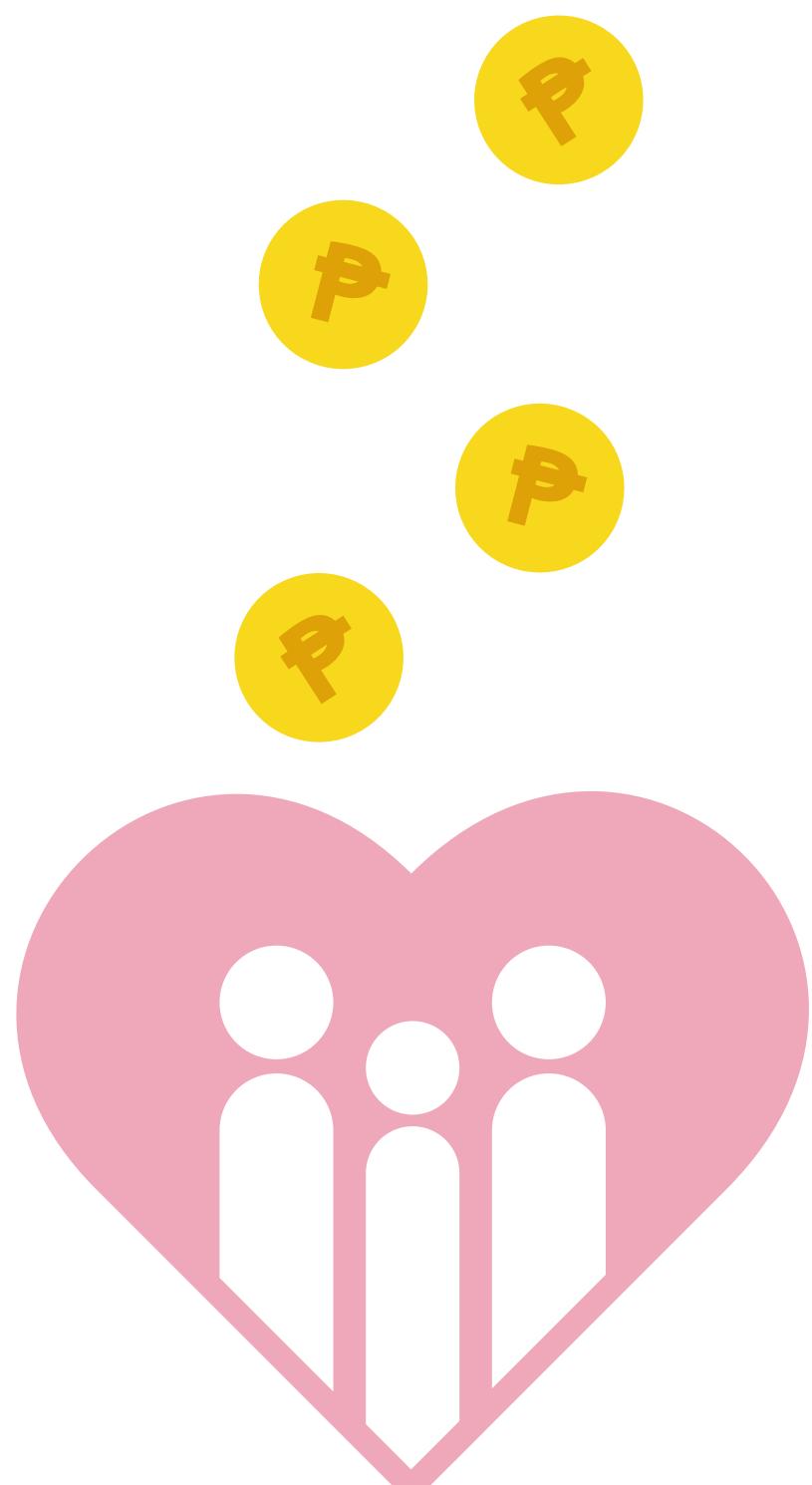


ere are some life milestones and events where insurance becomes necessary. Insurance serves a different purpose, is prompted by specific motivations, and becomes useful at various points in your lifetime.

**Starting a family.** With insurance, you can protect your family's future, ensuring they have the means

to cover medical expenses, maintain their lifestyle, and achieve their goals, even in challenging times.

**Getting a new job.** Insurance provides a crucial safety net. Health insurance ensures access to necessary medical care, protecting against unexpected costs. A comprehensive car insurance is also a good idea for those who commute daily.



### **Putting up a small business.**

Insurance protects your business from financial losses due to unexpected events like property damage, lawsuits, or employee injuries. By investing in appropriate coverage, you can mitigate potential setbacks, safeguard your assets, and focus on growing your business with confidence.

### **Protecting things you need to make a living.**

Whether it's protecting your home, car, or professional equipment, insurance provides a financial cushion against unforeseen losses. By insuring your valuable possessions, you're mitigating the risk of significant financial setbacks.

that could disrupt your ability to earn a living.

**Traveling safely.** Insurance protects you from unexpected financial burdens that can arise during your trip. Consider it as an investment in a stress-free and secure journey.

**Retiring soon.** Retirement is a significant life milestone; insurance can provide essential protection during this new chapter. As your income changes, health needs evolve, and long-term care becomes a potential concern, insurance can safeguard your financial well-being.

**Covering medical emergencies.** Unexpected illnesses or accidents can incur massive costs for hospitalization, surgeries, medications, and treatments. With proper coverage, you can focus on recovering without the added stress of overwhelming medical bills.

**Insuring furry friends.** Pet insurance protects you from financial hardship while ensuring your pet receives the best possible care. Knowing that you can provide for your pet's health needs without breaking the bank gives you peace of mind.



# How to Get Insurance?

**HERE ARE CONSIDERATIONS FOR GETTING COVERAGE.**

**A**s with budgeting, there is no one-size-fits-all insurance policy. The ideal insurance policy is the one that protects your family and assets, but still fits your lifestyle and your financial capacity.

Since insurance is all about planning and preparation, do your homework first before reaching out to an insurer. Also, take some time to do the following:

**Understand your needs.** If you are the primary breadwinner, health and life insurance coverage should be your top priority. These insurances make sure your family is financially protected if something happens to you, like an illness or accident. Health insurance helps cover medical expenses if you get sick, while life insurance provides financial support to your family after you're gone. It's about making sure your loved ones can continue to live comfortably even if you're no longer there to support them.

**Gauge your income including your emergency fund and find a policy that you can comfortably afford.**

Recall our chapter on budgeting. Revisit and revise your budget so that your insurance premium payments are part of your essential expenses. Insurance should augment your savings in case of an emergency.

**Know what coverages are available to you.**

If the standard policy coverage doesn't meet your needs, talk to your insurer about customizing your policy. Also, understand the

potential deductibles or the amount you need to pay before making any claims.

**Finding a new job.** If you have a new job, take a good look at your benefits and see where extra insurance might be helpful. Not all companies offer the same coverage, so it's important to figure out where you might need additional protection. This could help fill any gaps in your current plan.

**If you own a business, identify the greatest risks to your business** and insure against them. Be sure to have this protection especially if this is the main source of your income, and livelihood.



**Know where can you buy affordable insurance.** Financial advisors or your bank often offer standard insurance based on what you need and what you can afford. Some insurance providers offer their products online or through mobile applications and offer lower rates, including specific coverages, such as gadget protection. Also, buy insurance from well-known providers or those referred by

friends and family that you trust.

When thinking about insurance, consider any preexisting health conditions you have, as well as any risky activities you participate in. These factors can affect your coverage and premiums.

Once you get your insurance policy, consider doing the following:

**Understand what your policy covers and until when.** Stay on top of things and ensure that your premiums are paid on time, and your policy is renewed so that you don't find yourself unprotected in a time of need.

**Late on premium payments? Don't panic.**

If you find yourself in a tight spot and unable to pay a premium on time, stay calm. Most policies have a grace period for premium payments. Talk to your insurer about it.

**Need more coverage? Review your policy.**

If your circumstances have changed and an existing policy no longer works for you, work with your insurer to have it amended or replaced with something that does.



# Shortcut

**HERE'S EVERYTHING  
WE'VE COVERED SO FAR.**

- Having good financial health means also having insurance, which protects what you have, your loved ones, and yourself from unexpected events.
- Insurance services are not just for the rich. There are insurance policies that are available to those with tighter budgets but still want to be protected from future financial shocks due to inflation.
- There are insurance coverages for every person at every stage of their life. The best policy for you is the one that protects what matters most to you.
- Insurance policies can be customized to fit your specific needs.

READERS' SECTION

# **When do you think you need insurance**

How will you know when you need insurance?



1. Start listing down five things that would financially cripple you and your family if something bad happens.
2. Check whether you have insurance for aspects of your life that can be affected by these unexpected events or situations.
3. See how much it would cost you without insurance versus how much an insurance policy would cost.
4. Add up the cost of protection, and see if you can afford it, or if it is within budget.
5. Prioritize which insurance you should get first.



	Protected	Not Protected	Loss without insurance	Policy cost
<b>Example</b>				
Family/ My life as breadwinner	X		PHP 1.5 million in lost annual income	PHP 32,000 per year in premiums for PHP 5 million death benefit
Healthcare Needs	X		PHP 250,000 for 1-week hospitalization	PHP 12,000 per year for PHP 300,000 per illness
Home		X	PHP 11,000,000 current market value	PHP 17,000.00 per year
Car	X		PHP 850,000.00 current market value	PHP 19,000 per year
Dog's Health	X		PHP 65,000.00 for veterinary surgery and confinement costs.	PHP 5,000 per year for up to PHP 60,000 veterinary care coverage per illness

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# Do You Need Insurance?

Now that we've gone through the importance of having insurance coverage, ask yourself the following questions:

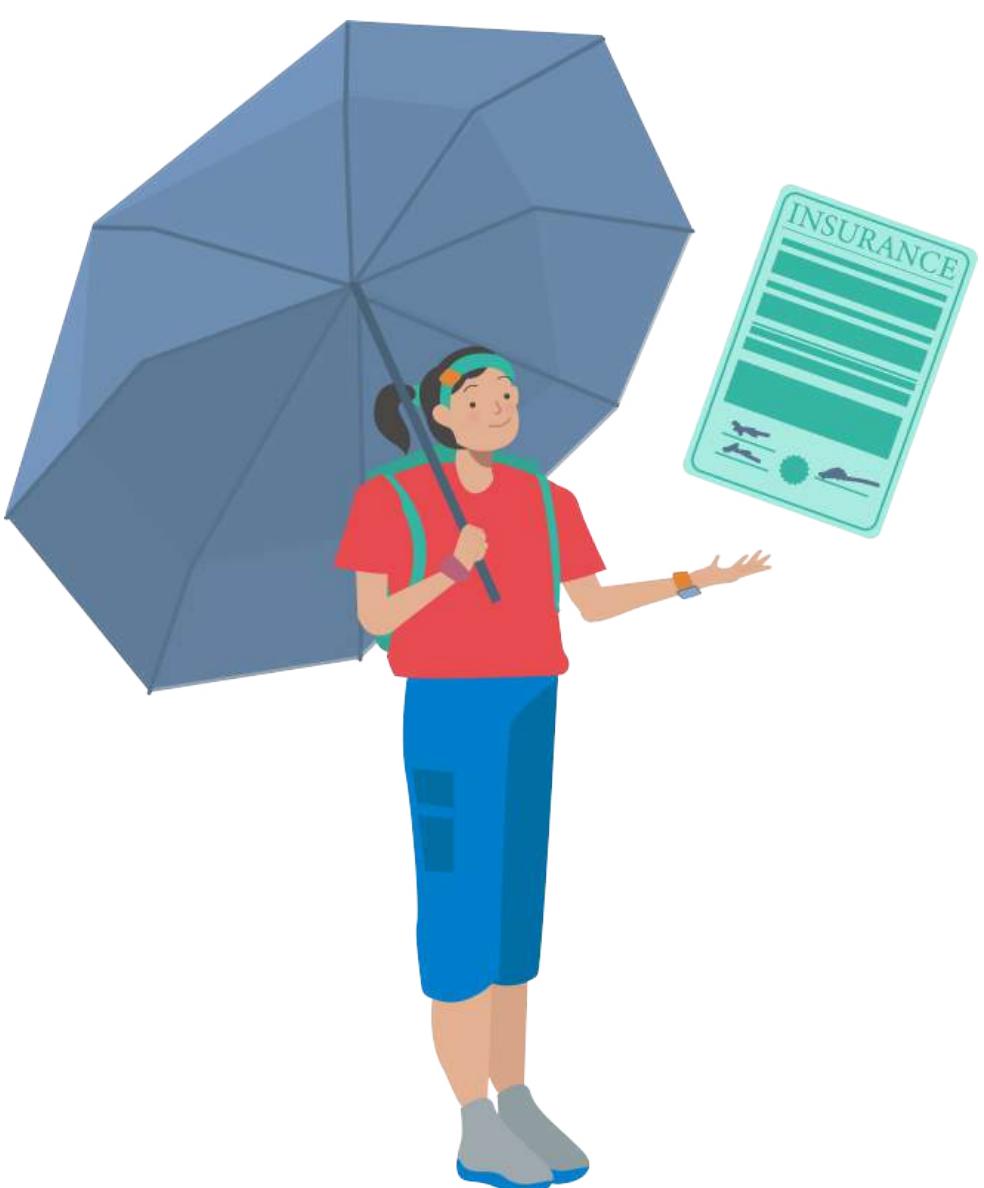
Is your family financially covered in case you cannot provide for them?

If a family member gets seriously sick, will your employee health benefits be enough to cover the healthcare costs?

Do your current budget priorities reflect what truly matters to you? If not, how can you fix this?

At this point, you are now more familiar with insurance, what it is, and why you need it. You also have a clear idea of what type of insurance you need, or when you need it. One thing is clear: you need insurance to bridge the gap in your budget, especially when these additional expenses are brought about by unexpected events. And speaking of payments, the next chapter will dive into the world of payments and its benefits.

*Do you have any unique experience or story regarding getting insurance? Or do you have other suggestions on what to consider when getting insurance for you or your loved ones—or your business? Please email us your story at [earnest@metrobank.com.ph](mailto:earnest@metrobank.com.ph)*





*If you think nobody cares  
if you're alive,  
try missing a couple of  
car payments.*

- Earl Wilson

CHAPTER 8

# Paying Attention to How You Pay



## What you will learn from this chapter:

- Why payment methods are important to understand
- What are the available payment methods for you?
- When should you use credit cards for payment?
- What are the benefits of the different payment methods?

S

ince money was invented, payments have become part of your daily life.

You pay bills, you pay for shopping, and you pay for goods and services. Payments are necessary in budgeting, especially in managing essential and non-essential expenses. It is crucial to understand how payments work and how well you can make it easy and convenient.

You have many options for paying. In addition to traditional cash, you can pay through checks, credit and debit cards—and e-wallets or mobile banking.



# Looking Closely at Payments

**PAYMENT METHODS AVAILABLE TO YOU.**



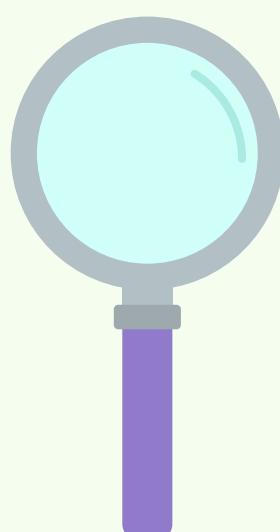
ifferent payment methods are available today, here are their benefits and a simple explanation of how they work.

## 1. Cash

**What is it?** In the Philippines, cash is still king! Since cash is a widely popular payment method

among Filipinos, several words are used to refer to it: *pera*, *datung*, or *kwarta*. Cash is the physical money that you use to pay for goods and services. It comes in the form of paper—recently replaced with polymer—and coins.

**How does it work?** Cash is a medium that stores value. Back then, cash used to have a corresponding value in gold, which is stored in a safe place like a bank or a mint. Central banks then print money based on the corresponding value in gold.



### FIAT MONEY

Fiat money is issued by the government and is not backed by a physical commodity like silver or gold.

**Pros and Cons:** Cash is still the simplest form and most widely accepted payment method. It requires you to hand over money physically, but carrying large amounts of cash can make you more vulnerable to theft or loss.



## 2. Checks

**What is it?** A check is a written note you give to the bank asking them to transfer a specific amount of money from your account to someone else. It's a standard way to pay for things and helps you keep track of transactions. Checks also have safety features like unique numbers and routing information, making them more secure.

**How does it work?** When you write a check, you must fill in who you're paying, how much you're paying them, and the date. Then, you sign it! The person you give the check can deposit it in their bank and the money will be transferred from your account to theirs.



**Pros and cons:** Checks are outstanding for paying considerable amounts, like buying a car or putting money down on a house, without carrying much cash. They also give you a paper trail to help with budgeting and keeping track of spending. However, checks take a bit longer to process than online payments, and you need

to be careful not to write one for more money than you have in your account—this could lead to an overdraft or when a check will “bounce” or will not be processed. Also, be mindful of check fraud, so protecting your information is essential.

### 3. Debit Cards

**What is it?** A payment card lets you use the money in your deposit account without needing cash. The amount is automatically taken out of your account whenever you make a purchase. It's a quick and easy way to pay for things without carrying cash.

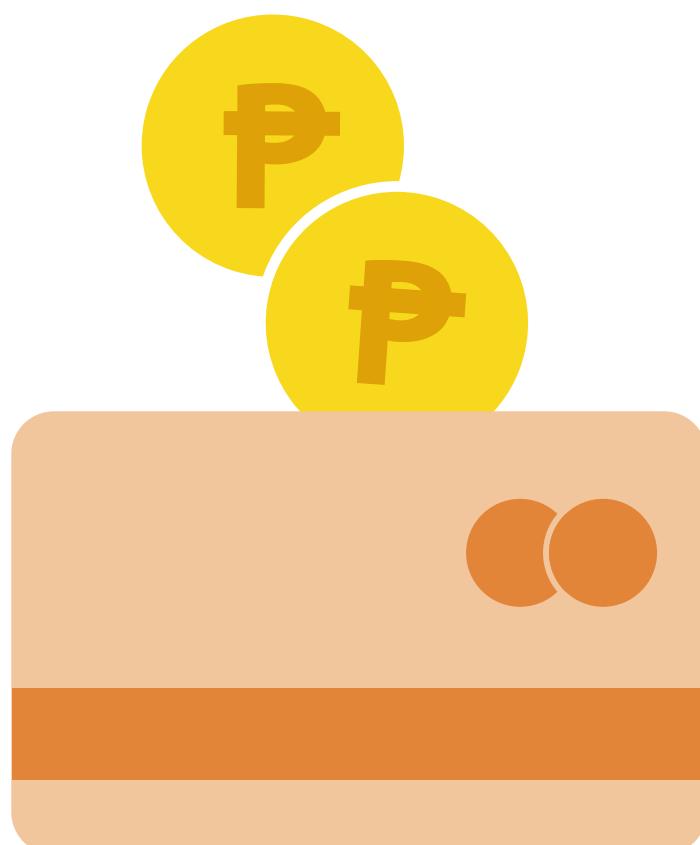
**How does it work?** In the Philippines, debit cards are issued by your bank. Since they are linked to a bank account, you use the money deposited in that account whenever you pay. And because a debit card is as good as cash, you need to secure its use. You must assign and activate a Personal Identification Number (PIN) once you get the card.

**Pros and Cons:** Debit cards are easy to use. Tap or swipe your card and enter your PIN on

the payment machine when shopping in a store. You can also withdraw cash using your debit card from your bank's ATM or ATMs of other banks (though using other banks' ATMs may come with a fee). In the Philippines, debit cards work with networks like BancNet, Mastercard, or VISA so that you can pay online or abroad. Since debit cards require a PIN to confirm payments, they can be targeted by hackers or skimmers who try to steal your PIN or other card details.

## 4. Prepaid Cards

**What is it?** A prepaid card is a type of payment card that you can use to load money. Unlike debit cards, they aren't linked to a bank account. Banks or other financial institutions issue prepaid cards, which are great for managing your spending since you can only use the amount on the card.



**How does it work?** A prepaid card lets you load money onto it and use it to make payments. It works like a debit card when shopping in stores that accept cards. The only

limit is that you can't spend more than the amount you've loaded onto the card.

**Pros and Cons:** Prepaid cards are great if you want to stick to a budget but don't want to carry cash when shopping. You can only spend the money you've loaded onto the card. You'll need a valid ID and usually pay a small fee to get one. There's no limit to how much money you can load onto a prepaid card anytime. Remember that there are fees if you withdraw cash from an ATM.

## 5. Credit Cards

**What is it?** A credit card is a payment method that doesn't necessarily require you to open a bank account. Whenever you use a credit card to pay, you are borrowing money from the bank that issued the card, much like a short-term loan. So instead of spending your money, you're using the bank's credit, which you'll repay later.

**How does it work?** In the Philippines, credit cards are issued by banks. When you apply and get approved, you're given a credit card with a

set credit limit. This limit is the maximum amount you can borrow for purchases. You'll need to pay back what you've spent by the end of the billing period. The bank decides your credit limit based on your credit history, income, and overall financial situation, including your job status. They also check your credit score (more on this from the previous chapters) to see if you're eligible for a credit card.

**Pros and Cons:** Credit cards allow you to make purchases and settle the payment later. You are required to pay back what you borrowed at the end of each month. If you pay the total amount on time, you won't have to pay any interest or extra fees. However, if you only pay the minimum amount listed on your bill, the bank will start charging you interest on the remaining balance. Missing the payment deadline can also result in late fees and additional interest. To avoid these extra charges, paying the total amount on or before the due date is best. If you don't, the unpaid balance and fees carry over to the next month, leading to growing debt and charges that are harder to manage.





# Using Credit Cards for Payments

## HOW CREDIT CARDS CAN WORK FOR YOU.

Y

ou may have noticed that among the listed payment methods, credit cards are particularly unique, because you are paying with money that is not yours—it's all credit, thus the name credit card. For a responsible credit cardholder, this payment method can be particularly beneficial as a financial management and cashflow tool.

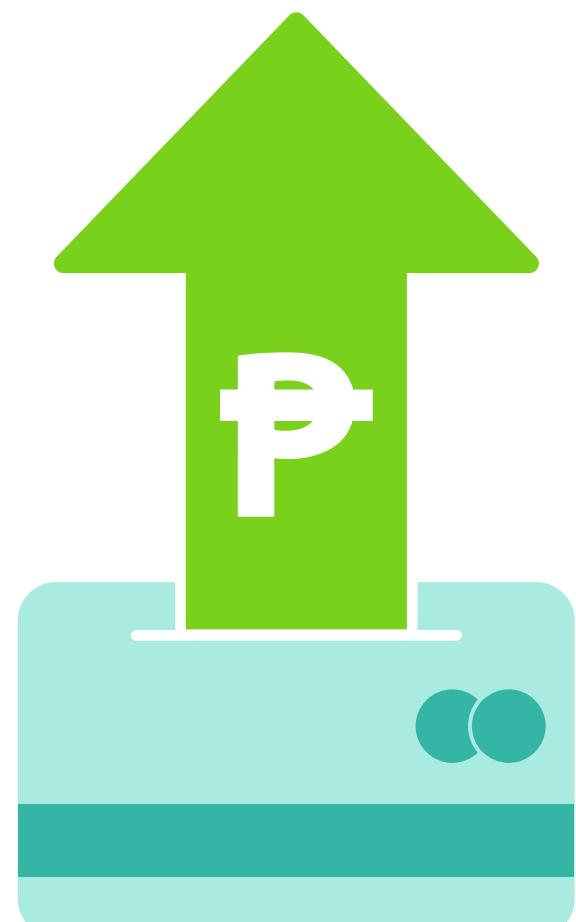
It can help you manage your budget while building a good credit history.

Sometimes, these payments have interest charges, but other times, they might be interest-free—depending on the deal you get.

There are a few things to remember when it comes to credit cards.

Most banks charge an annual fee for using a credit card, which helps cover the benefits that come with it.

These benefits include rebates, earning miles faster, and discounts on dining, shopping, and travel.



Sometimes, you can ask the bank to waive this fee, mainly if you use the card responsibly and meet spending requirements. It's up to the bank to decide if you qualify for the waiver.

There may be extra fees if you take out a cash advance, where you withdraw some of your credit limit in cash from an ATM. Keep in mind that cash advances are still money you're borrowing.

Using a credit card responsibly can also help build your credit history, which boosts your chances of getting approved for loans. A good credit score shows lenders you're good at managing credit, which can help you get better interest rates and loan terms for things like mortgages or car loans.

Finally, choosing a credit card that matches your lifestyle is vital. If you travel a lot, use a card with travel perks like low foreign transaction fees and travel insurance. If you love shopping or dining out, look for a card that offers cash back or discounts on those purchases.

“

Responsible credit card usage can help you build good credit history and increase your chances of getting approved for bank loans.

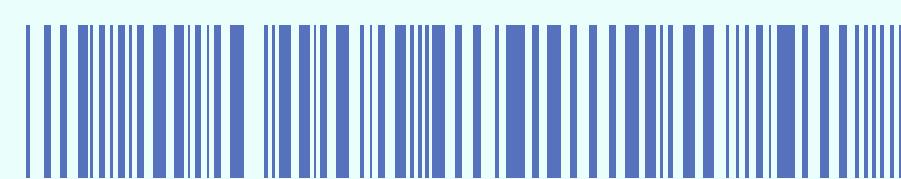
## A quick guide to understanding your credit card bill

Your credit card bill records all your monthly purchases and payments. Not only does it show you what you have spent for the month, but it can also flag any transactions that may be

unauthorized. For these cases, you should call your bank.

Your credit card bill also shows the interest you need to pay in addition to your monthly expenses if you're late or don't pay in full.

Here are the essential parts of the credit card statement that you need to understand:



TRISHA SANTOS  
B2 L3 GREEN ST.  
1357 LAGUNA CITY

#### STATEMENT OF ACCOUNT

CUSTOMER NUMBER	00123045600078900
A STATEMENT DATE	SEPTEMBER 28, 2023
B PAYMENT DUE DATE	OCTOBER 18, 2023
CREDIT LIMIT	100,000.00
C TOTAL AMOUNT DUE	1,0312.96
D MINIMUM AMOUNT DUE	500.00
AMOUNT PAST DUE	7,227.07

TRANSACTION DETAILS						
Previous Balance	F Payments/ Credits and Rebates	Purchases and Advances	Installment Due	Finance Charges and Other Fees	Late Payment Charges	Amount Due
20,000.00	34,034.00	0.00	0.00	0.00	0.00	0.00

\*This is a sample credit card billing statement

**A Statement Date and B Payment Due Date:**

Statement date, as the term implies, is the start of your monthly billing statement. All expenses made from that date until the payment due date are part of the monthly billing cycle, which sums up your total amount due in the next month. Be extra mindful of all your transactions made between these two dates.

**C Total Amount Due and D Minimum Amount Due Date:**

When you receive the monthly credit card statement, you should look at these two elements: the total outstanding balance you must pay that month and the minimum amount you may pay. Always pay the total amount due monthly to avoid interest. Paying the minimum amount will automatically add interest to your total amount due next month.

**E Purchases and F Payments:** A vital part of your billing statement is the purchases made during the month and the payments you've made in the same month. The purchases are simply the latest purchases charged to the card that month, while payments are those made that month. As a guide, payments should

always be the same amount as your previous month's outstanding balance to avoid any interest charged during that monthly cycle.

If you use a credit card for payments, pay what you owe in full and on time. Also, resist making impulsive purchases and buying things you cannot afford. A credit card is different from cash on hand. It is money you borrowed from a bank.

People can fall into a cycle of debt when they find themselves unable to pay with credit card billings in full and on time. Interest charges and penalties balloon, and people borrow more money or use another credit card to pay off their debts.

## Pay Attention to Your Credit Card Habits

### Good credit card habits

- Paying in full, on time, all the time
- Maximizing perks like discounts, reward, and cashbacks
- Tracking your spending
- Availing of payment offers like installments to help manage cashflow
- Study which credit card best suits your lifestyle
- Keeping your credit card details safe and secure



## Bad habits leading to bad debt

- Paying only the minimum amount
- Using it to buys things you cannot afford to pay in cash
- Spending more than your monthly income
- Treating your credit limit as "extra money"
- Sharing your credit card details





## The Rise of Digital Payment Platforms

**DIGITAL PAYMENTS DRIVE CONVENIENCE.**

**M**any Filipinos now store money in e-wallets or virtual wallets on their phones and use it for various purposes, such as paying bills, buying items online, or sending money to friends and family.

Instead of carrying cash, your money is safely stored in this app. You need to load your e-wallet

by transferring funds from your bank, cashing in at convenience stores, partner outlets, or even through bank transfers.

**1. Download and set up an e-wallet app:** First, install an e-wallet app on your smartphone. Then, create an account and provide an ID to verify your identity.

**2. Load your e-wallet:** Before using it, add money to your wallet. You can do this through various methods, such as bank transfers, over-the-counter cash-ins (at convenience stores), or mobile banking apps.

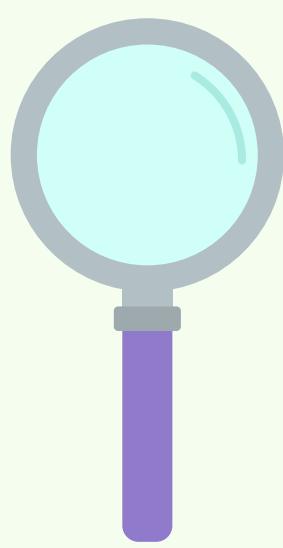
**3. Make payments:** You can pay for almost anything once your wallet is loaded, whether it's groceries, online shopping, or even your electricity bill. Many businesses now accept QR code payments—you scan the store's code with your phone, enter the amount, and confirm the payment. It's fast and easy, and you don't need to carry cash.



**4. Sending money:** You can also send money to others using their phone number or account details. This is a popular feature, especially for those supporting family members or paying friends back after dinner or lunch.

**5. Security:** E-wallets are usually protected by a PIN, fingerprint, or face recognition, keeping your money safe.

E-wallets have become popular in the Philippines because they're convenient, especially for people without bank accounts. They save time, help avoid long lines, and make transactions more secure, especially during the pandemic when contactless payments were encouraged.



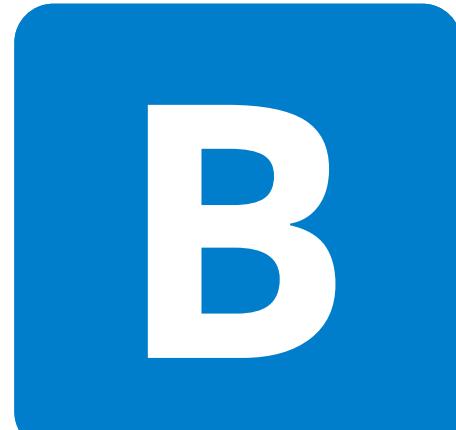
### QR PAYMENT

Quick Response (QR) payment is a digital payment method that requires the payor to scan a QR code or a square-shaped barcode instead of typing in the payee's account name and number.



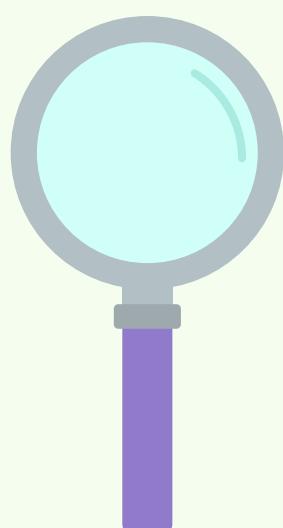
## How You Pay Can Save Your Day

**USE PAYMENT METHODS WITH ADDED SECURITY.**



Banks need people to trust them, so keeping accounts and transactions safe is a top priority. To keep their customers loyal, they focus on ensuring everything is secure. They spend a lot on advanced security, like microchips and

multi-factor authentication, to protect their online systems and payment methods.



### MULTI-FACTOR AUTHENTICATION (MFA)

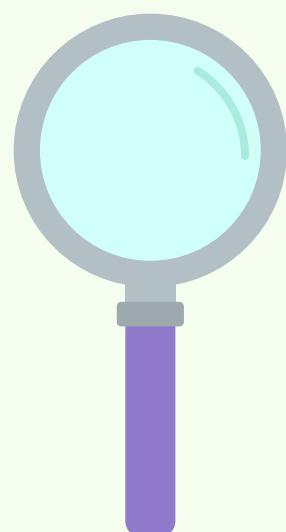
This is a digital security method where you are given access to a website or application only after supplying at least two pieces of evidence or factors of your identity. This method protects your mobile banking account from being used by other people illegally or without your permission.

Here are some real-life examples of people who were able to receive help from such protection:

**Stopping payments.** Inez, 38, was running errands when she received an SMS about a purchase being made using her credit card. She later realized her wallet was stolen. She called her bank's hotline to report the theft and unauthorized transaction. The bank immediately helped stop the payment and canceled both her credit and debit cards to prevent further unauthorized transactions.

**Disputing and reversing unauthorized transactions.** When Chel, 33, was reviewing her credit card statement, she noticed small transactions made over several weeks amounting

to PHP 3,000. She recalled not receiving any notification via SMS nor a One-time Password (OTP) on any of those transaction dates. She filed a transaction dispute and asked the bank to investigate. The full amount was eventually reversed and credited to her account by the next billing period.



## ONE-TIME PASSWORD

One-Time Password, also known as OTP, is a password that is used only once to validate a transaction or a log-in activity. It's only valid for a few minutes before its validity expires. OTPs are sent via SMS or email to verify your identity before you can access your account or transact.

## Card blocking and replacement in case of loss.

Mary, 40, was in the US when she lost her credit card. She called her bank's international hotline to report the loss. She also checked for any unauthorized transactions and asked the card to be blocked. The card network's international concierge helped her get a replacement card within two days while abroad.

Being able to alert your bank or your credit card company at once about losing your card and reporting unauthorized transactions can help assure them that your claim is legitimate.

**Reversing transactions.** Paul, 38, is an overseas Filipino worker in Singapore. He opened a Philippine digital wallet, which he uses to reload his local prepaid phone number. One day, he was shocked to find his small amount in the digital wallet was gone. He needed to recognize several fund transfers. He emailed the digital wallet company, and the unauthorized transactions were reversed.

Remember, sharing your OTP or other sensitive information, even phishing attacks—modus where fraudsters use e-mail, SMS, or even fake websites to trick you into giving banking and personal information—may count as authorizing the transaction in the eyes of the bank.





# Shortcut

**HERE'S EVERYTHING  
WE'VE COVERED SO FAR.**

- There are multiple payment methods available. The best one depends on your lifestyle and spending habits.
- Each payment method has its benefits and limitations. Maximize each payment method according to your specific purpose.
- Make the most of your credit cards by taking advantage of rewards like cashback or points. You can also use your credit card to manage your money better. Features like deferred payments and installments help you control your cash flow. Plus, using your credit card regularly helps build your credit score.
- Cash is still king in the Philippines, but cashless payments are growing in popularity, such as credit card and digital payments through e-wallets.
- Digital payments and credit cards offer an added layer of security. Cybersecurity is a shared responsibility, so do your part to keep your funds safe.

READERS' SECTION

# The Benefits & Challenges of Payments

Now that you know the pros and cons of each payment method, let's play this game, where you match the payments against the benefits or the challenges of using them. Use a pen or a pencil to match column A (payment method) to column B (Pros/Cons).

**Payment Method****Pros/Cons**

1. Cash	a. It's as good as cash. Works well with merchants' POS.
2. Check	b. It's the most widely accepted payment form small to large charges.
3. Debit Card	c. It's also called fiat money.
4. Credit Card	d. It's a safe and one of the oldest ways to pay for your big purchases.
5. Digital Payments	e. You pay using borrowed money.
	f. Interest charged if balance not paid on time or in full.
	g. Payments are debited or deducted from your bank account.
	h. Payments need to follow a clearing process with the payor's bank account.

Answers: 1 = c, 2 = d, 3 = a, 4 = e, 5 = b

JOURNAL

# Thinking of Your Payment Habits

After learning about payments, reflect on these questions and write your answers below.

Have you missed payments on your credit card and been charged fees? Why?

Do you have a credit card and have some unpaid debt? If so, what concrete steps can you take to pay them off?

Are you using digital wallets to pay for utilities and other bills? If so, what are the benefits? If not, is your current payment method better?

After answering the questions, read this chapter to review those you think you have missed.

Answers to Reader's Section: 1-C; 2-D; 3-A; 4-E; 4-F;  
3-G; 1-B; 2-H





*If you do not find a way  
to make money while you sleep,  
you will work until you die.*

- Warren Buffet

CHAPTER 9

# Your Journey

## Toward Investing



## What you will learn from this chapter:

- Why everyone should invest
- What you need to know before investing
- How compound interest works in investing
- What are the types of investment products



hat comes to mind when you hear the word investing? You might think of setting up a small business, buying a piece of land, or renting out an apartment to receive additional income. But did you know that there are other forms of investments, including those you can get from a bank or through a certified stockbroker?

Investing is one of the most important lessons you need to learn for your financial wellness, because it helps you reach your money goals faster. Recall what you learned in the earlier chapters, particularly about budgeting, where you learned that in the 50-30-20 budget method, 20% goes to your savings. The reason behind this is that you can't expect your money to grow if

you just place it under your pillow or mattress.

But the PHP 10,000 under your pillow today will still be just PHP 10,000 under your pillow tomorrow and three years from now. With investments, however, there is a chance that your PHP 10,000 may grow to PHP 12,000 or more in a year or so.

But we need to clarify that investing is not a magic trick that will at once generate income. Always remember that you can lose money by investing and there will always be hundreds of risks that might affect your investments.

That's why it's so important that you learn as much as you can so you can enjoy the benefits of investments while minimizing the risks involved.



# Everyone Should Invest

## HOW INVESTING MAY BEAT INFLATION.

**W**hat are investments? Most Filipinos view investments in two ways. One involves setting up a small business or renting a property. This is what most Filipinos think about when asked about investments. The other type is one that you do with financial institutions like a bank. Both types can help you reach your financial goals. But the latter will require an

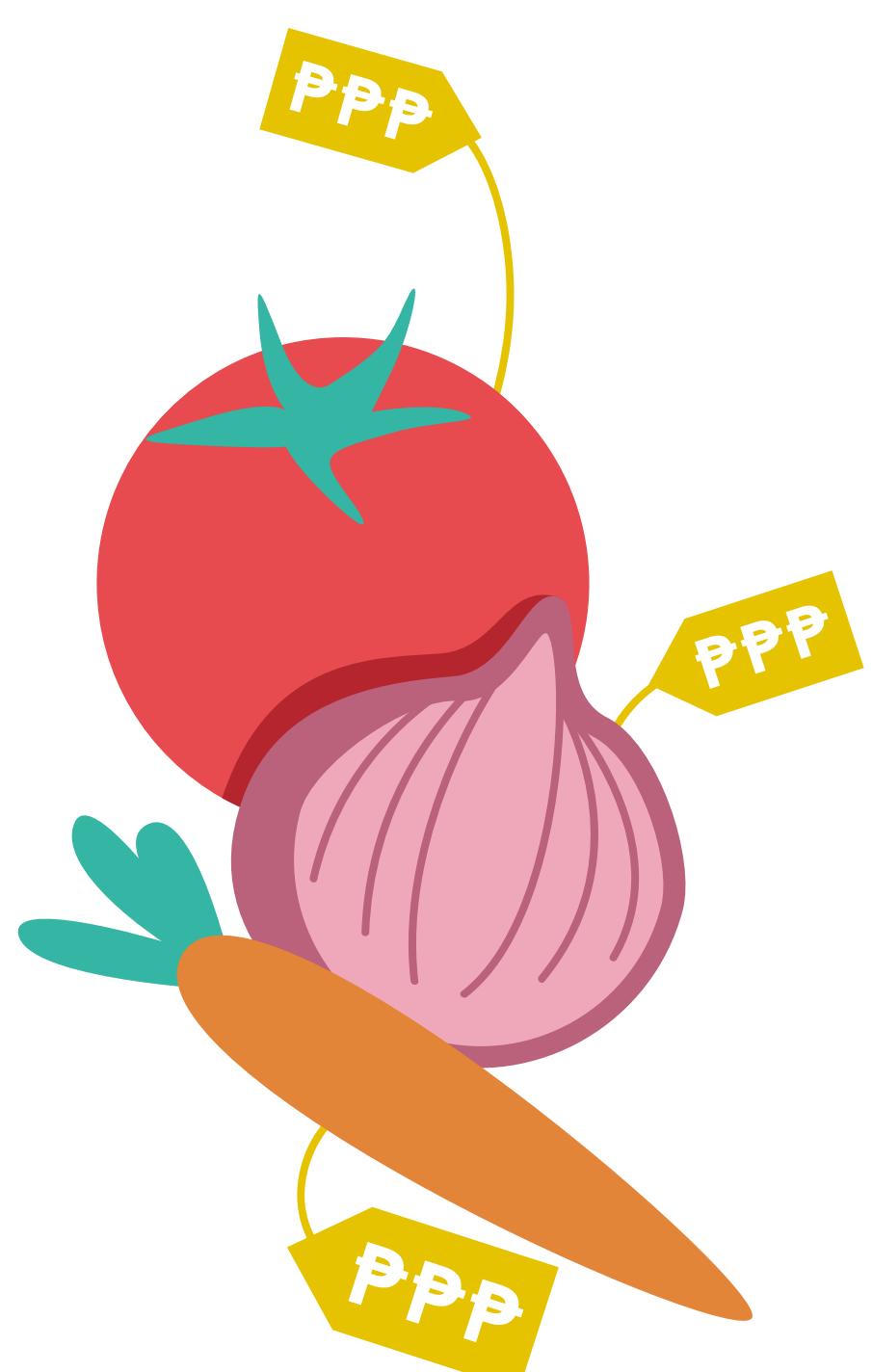
understanding of investment products offered by banks.

Think of investing as building your financial readiness for an expected financial storm. Without investments, your savings account and emergency funds can only do so much. But investments can protect you, and even help you prepare for more financial storms in the future.

It is important that you set aside money for an emergency while you manage your expenses and savings before you start investing. They are all part of a step-by-step process that helps you reach a point where your money can grow and beat inflation.

First, let's understand inflation and why it matters when it comes to investing.

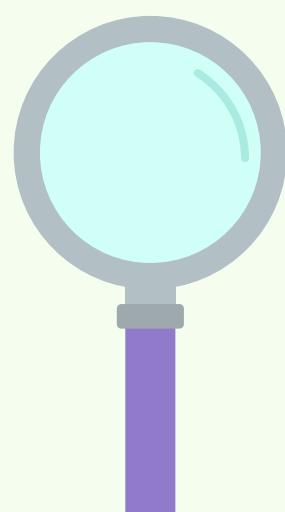
How much is your PHP 1,000 worth today compared to last year? Can you remember how many kilos of vegetables you



were able to buy before with that amount compared to now?

The price change is due to inflation.

You can fight inflation when you're invested because your money's buying power remains equal, if not more, to the prices of goods and services.



## BUYING POWER

Also known as purchasing power, it is the amount of money or value of money that can buy goods or services. This can change over time due to inflation.

Investing can also help you in other ways. It can:

**Provide a secure financial cushion.** Having investments gives you a better chance to recover quickly from difficult financial situations. Having more than one investment creates more sources of income. You don't want to put all your eggs in one basket.

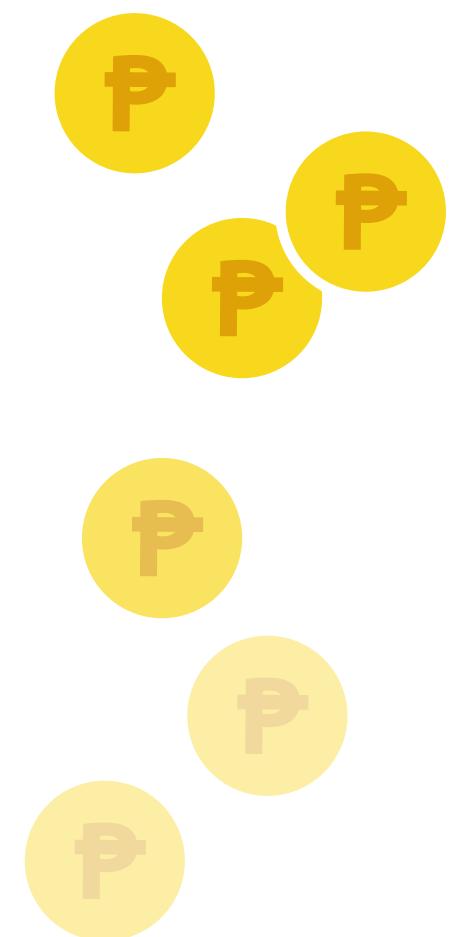
**Offer other growth opportunities.** Investment creates financial growth and brings you closer to

financial wellness. The more investments you have, the more you become comfortable exploring other opportunities.

On the flip side, there are challenges to investing. Here are some examples:

**Some opportunities are complicated.** Not all investments are the same. It's a good idea to speak with a personal finance expert about your options, especially if you're a beginner. *Reading this book should give you confidence that you are on the right track!*

**There is fear of losing money from investments.** All investments carry a degree of risk, which can be managed based on your choice and the risks you are willing to take.



**There is a cost to investing.** If you decide to use the services of a financial planner, you will have to pay fees. Also, there are types of investment opportunities that may require substantial amounts of money and a longer time to mature. With these challenges, it's clear that the road to

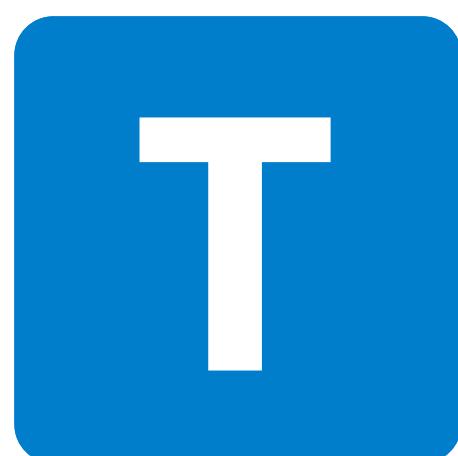
investing requires learning and discipline. It starts with budgeting, where you distinguish essential expenses, such as food and rent, from non-essential expenses, such as shopping. Recall that in Chapter 3 about budgeting, you learned how to allocate 20% of your income into savings, and of that 20%, you decide to put between 5 to 10% into investments, but have you wondered why?





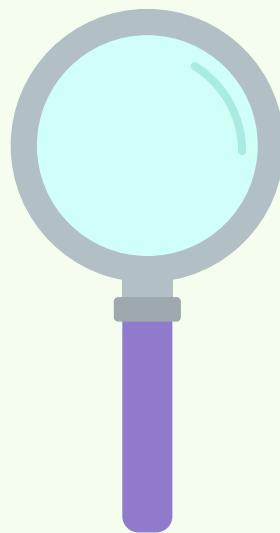
## Time: The Key to Growing Your Money

**WHY INVESTMENTS NEED IT TO GROW.**



here is a huge difference between what happens to your money when you save it versus when you invest it. When you save your money in a bank, your money will earn some interest. But when you invest it, this is when the magic of compound interest happens.

## INTEREST



It is the money you earn when it is kept in a bank account.

## COMPOUND INTEREST

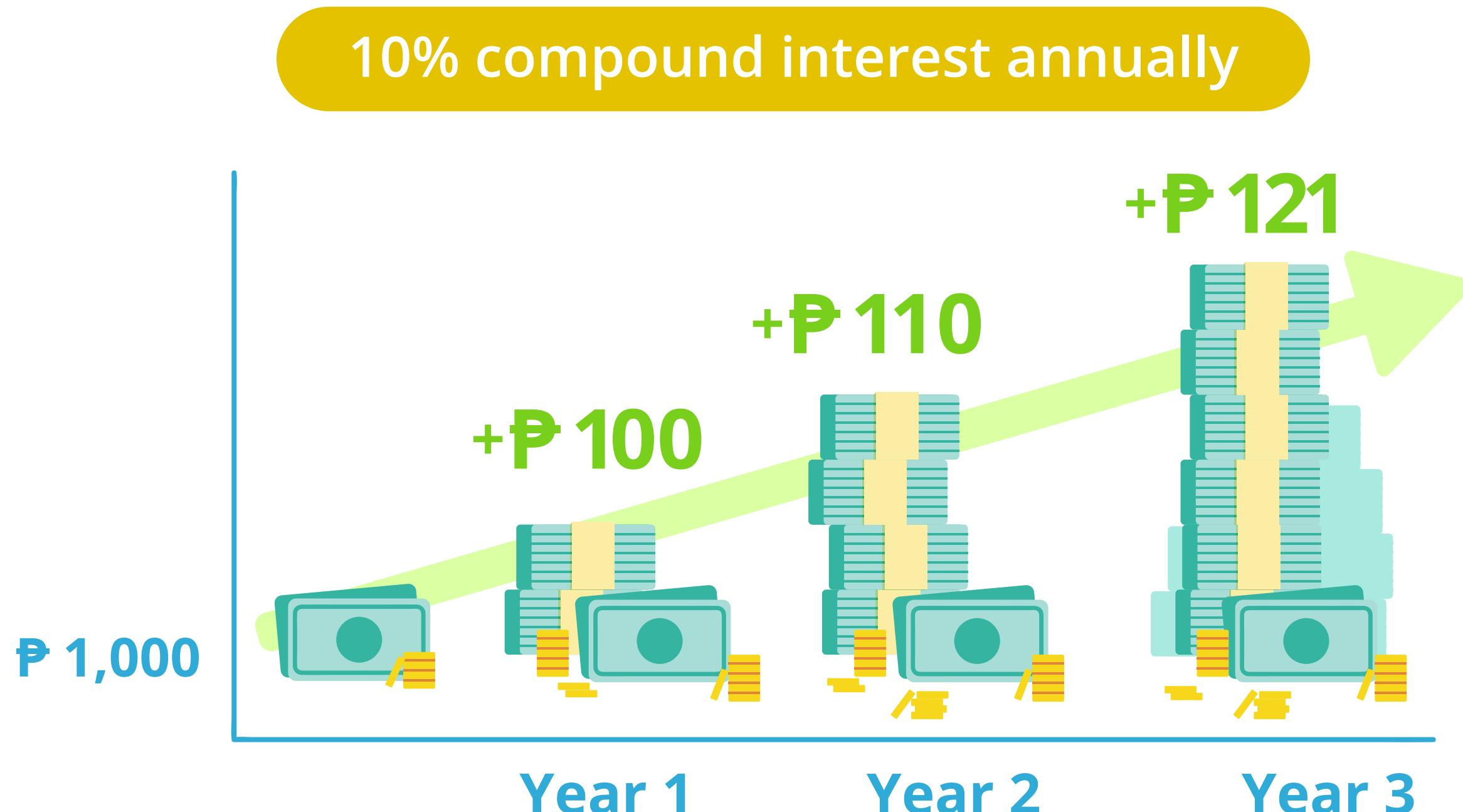
It is about earning interest on the money you have earned through interest. It makes your money grow faster the longer you keep it invested.

Compound interest is a fundamental ingredient of investing. How does it work?

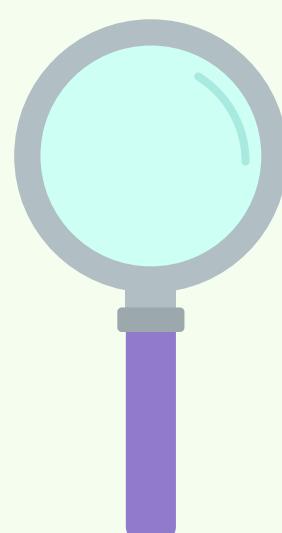
For example, if you have PHP 10,000 that earns 10% interest each year, you would have earned PHP 1,000 by the end of year one.

With compound interest, your PHP 10,000 earns 10% per year and becomes PHP 11,000 after one year. That PHP 11,000 earns another 10% for that year and becomes PHP 12,100 after the second year.

This means that over time, you are earning more because you keep combining your starting money with the interest you earned from the previous years.



From the illustration, compound interest happens when the capital invested accumulates interest after several periods. This simply means your money is growing at a faster rate versus money that is kept in, say, a savings account.



## CAPITAL

Capital refers to financial resources or assets that can be used to generate income. In this example, capital means the money you invested.

But remember, when you're starting, it may seem like you are earning only a small amount each year. Give it time! With each passing year, your compound interest exceeds the starting amount. This is the secret that the rich know and practice each day. And this is the power of compound interest.



# What You Need to Know About Investing

**DEBUNKING MYTHS ABOUT INVESTING.**

R

aise your hands if you think investing is only for the rich. If you did, you're not alone.

According to the [2021 Financial Inclusion Survey](#) by the Bangko Sentral ng Pilipinas (BSP), only 36% of Filipino adults were investing in 2021. There are

many reasons why Filipinos are not investing now. Some are related to investment myths and misperceptions, which to this day, are still evident. These are some of the more common investment myths that you may have heard:

### **Myth: Investing is only for the rich.**

**Fact:** Anyone can and should invest. But it is important that the money you invest is excess cash, or money outside of your essential expenses and an emergency fund.

### **Myth: You are too young to invest.**

**Fact:** There is no such thing as being “too young” to invest. The most critical factor in investing is time. Take advantage of the power of compound interest. Also, if you’re a parent, start teaching your kids about investing at an early age.

### **Myth: You are too old to invest.**

**Fact:** You are never too old to invest. Your investment strategy may be different from younger people, but you can still reap some benefits even after retirement.

## **Myth: You can find a 100% risk-free investment.**

**Fact:** All investments have risks. Be wary of anyone who tells you otherwise. In fact, be careful if you're being sold a risk-free investment. It may most likely be a scam.

## **Myth: You must be a financial expert to invest.**

**Fact:** It is necessary to have some basic knowledge of investing. Start with the basics and work your way to more advanced concepts.

## **Myth: There is a perfect time to invest.**

**Fact:** No, there isn't and will never be a perfect time to invest. Just as with anything in life, there are ideal times to invest, but there will always be risks in whatever you do.

There are a few more things you need to know about investing: your purpose, the risk you're willing to take when you invest, how much time you're willing to allocate for investing, when you expect to see your money grow, and how much money are you planning to invest.

To help you decide, you should ask yourself these questions:

**What are your financial goals?** You should know your financial goals. It will help you decide which investment options you can choose from.



**What is your current financial situation?**

Before you invest, cover your essential expenses first, such as rent and utilities, your emergency fund, and your savings. Then you can now decide how much of what's left goes to investing.

**Can you afford to invest?** It doesn't take much money to invest. Start with "easy" products like unit investment trust funds. Remember, all investments require time to grow for the compound interest to kick in.

**How much risk are you willing to take?** It's so important that you know how much risk you are comfortable with, so you know the best investment options for you.

**How much do you know about investing?** You don't need to be an expert to start investing. But you do need to be willing to learn more about it.

*Tip: Aside from researching investing (and reading this e-book, of course!), you may want to consider speaking with a financial professional as well. Talking with someone face-to-face will give you more insight into your preferred investment.*



## Investing in Financial Products

**CHOOSE THE ONES YOU NEED.**

I

Investments are not limited to real estate or small businesses. There are other available options for you.

You can find opportunities at your local bank or your stockbroker. Both offer investments that are

regulated by the government.

Depending on which you choose, there is always a risk of losing some of your money when you invest. So, it's good to understand what types of investments are proper for you.

There are two general types of investment: one is individual investments like stocks, and one that is called funds, which are composed of several investments.

## Individual Investments (Usually Just One Type of Investment)

### Stocks



**What is it:** Stocks are a share of the ownership of a company, including its earnings and assets.



**Who is it for:** Investing here requires high technical understanding of stock market movements and terms. This is not for beginners.



**Where do you get it:** You can buy stocks through accredited stockbrokers.

Pros	Cons
<ul style="list-style-type: none"><li>• Earns income from stocks prices going up.</li><li>• Compared to bonds, you don't need a lot of money to start investing.</li><li>• Relatively easy to sell unless the stock is "junk" or from a poorly performing company.</li></ul>	<ul style="list-style-type: none"><li>• Highly influenced by market movements (where stock prices can fall fast in a short amount of time).</li><li>• You can lose money if you sell when the price is lower than when you bought it.</li><li>• You need research and knowledge of the stock market.</li></ul>

## Bonds



**What is it:** This is money you lend to government, corporations, or financial institutions like banks. They use the money to fund projects or business expansions.



**Who is it for:** For conservative investors who can afford to invest for long periods.



**Where do you get it:** You can buy bonds either through your local bank or through other financial institutions.

Pros	Cons
<ul style="list-style-type: none"><li>• Lower risk than stocks.</li><li>• High interest rates compared to a savings account and time deposit.</li><li>• Pay out a fixed interest rate over several years.</li><li>• Can sell back at profit or loss.</li><li>• Predictable stream of income even when the market performs poorly.</li></ul>	<ul style="list-style-type: none"><li>• Investment is locked in with an institution for a certain period.</li><li>• Penalty charged when you pull out investment before agreed period.</li><li>• Interest rates may vary between banks, financial institutions.</li></ul>

## Time Deposits



**What is it:** Time deposits are a type of investment that earn higher interest than a regular savings account if you keep it with the bank for a fixed period.



**Who is it for:** Time deposits are ideal for those who want to keep their money safe and still growing. They have a slightly higher interest rate than savings accounts.



**Where do you get it:** You can open a time deposit account through local banks.

Pros	Cons
<ul style="list-style-type: none"><li>• Lower risk versus stocks and bonds.</li><li>• Easy to manage.</li><li>• No fees.</li><li>• Covered by deposit insurance.</li></ul>	<ul style="list-style-type: none"><li>• Interest rates can change.</li><li>• Penalties charged when time deposit is withdrawn before maturity date.</li><li>• Returns are less than other investment options like stocks or bonds.</li></ul>

## Long-Term Negotiable Certificate of Deposit (LTNCD)



**What is it:** LTNCDs are simply a different type of time deposit. Unlike time deposits, you cannot withdraw your money early after a period with LTNCD.



**Who is it for:** If you want to have a longer type of time deposit but with minimum investment, then this is for you. If you hold your LTNCD for more than 5 years, you don't have to pay tax.



**Where do you get it:** You can place or get LTNCDs through your local bank.

Pros	Cons
<ul style="list-style-type: none"><li>• Earns more than a savings account.</li><li>• Easy requirements.</li><li>• Affordable.</li><li>• Fixed interest.</li></ul>	<ul style="list-style-type: none"><li>• It takes a long time to grow.</li><li>• You pay a withholding tax when you are allowed to withdraw.</li></ul>

## Funds (Investments Composed of a Number Investments)

### Mutual Funds



**What is it:** These are a pool of people's money that are invested in stocks and other types of investments. They are also managed by investment firms.



**Who is it for:** Mutual funds are good for people who don't have time to monitor individual investments and would rather have institutions or fund managers manage them.



**Where do you get it:** You can buy mutual funds through accredited investment brokers.

Pros	Cons
<ul style="list-style-type: none"><li>• Professionally managed fund.</li><li>• It is easier to monitor, and risk is controlled because of diversified investments.</li></ul>	<ul style="list-style-type: none"><li>• Pay fees upon investment or when collected in a year.</li><li>• Generally, no separate cash dividends or interest payments.</li></ul>

## Unit Investment Trust Funds (UITFs)



**What is it:** A UITF is like mutual funds. The only difference is that mutual funds are regulated by the Securities and Exchange Commission, while UITFs are regulated by the Bangko Sentral ng Pilipinas.



**Who is it for:** UITFs are a good choice if you want to invest in pooled funds but don't know where to begin.



**Where do you get it:** You can purchase UITFs either through your local bank or through an accredited broker.

Pros	Cons
<ul style="list-style-type: none"><li>Professionally managed fund.</li><li>It is easier to monitor, and risk is controlled because of diversified investments.</li></ul>	<ul style="list-style-type: none"><li>Pay fees upon investment or when collected in a year.</li><li>Generally, no separate cash dividends or interest payments.</li></ul>

## Real Estate Investment Trusts (REITs)



**What is it:** REITs work like mutual funds wherein funds are pooled from investors and are invested in various income-producing real estate.



**Who is it for:** REITs are good for long-term investments. So, it is good to keep them longer for you to reap their returns.



**Where do you get it:** You can buy REITs through an accredited stockbroker.

Pros	Cons
<ul style="list-style-type: none"><li>You only need a smaller amount of money to invest.</li><li>Law requires REITs to pay 90% of earnings as dividends.</li><li>Offers a steady income.</li></ul>	<ul style="list-style-type: none"><li>Dividend rates can vary.</li><li>Like stocks, bonds, or time deposits, dividends are taxed.</li><li>You pay fees and taxes on trading.</li></ul>

Before you go any further, here is a quick list of investing terms that you also need to know.

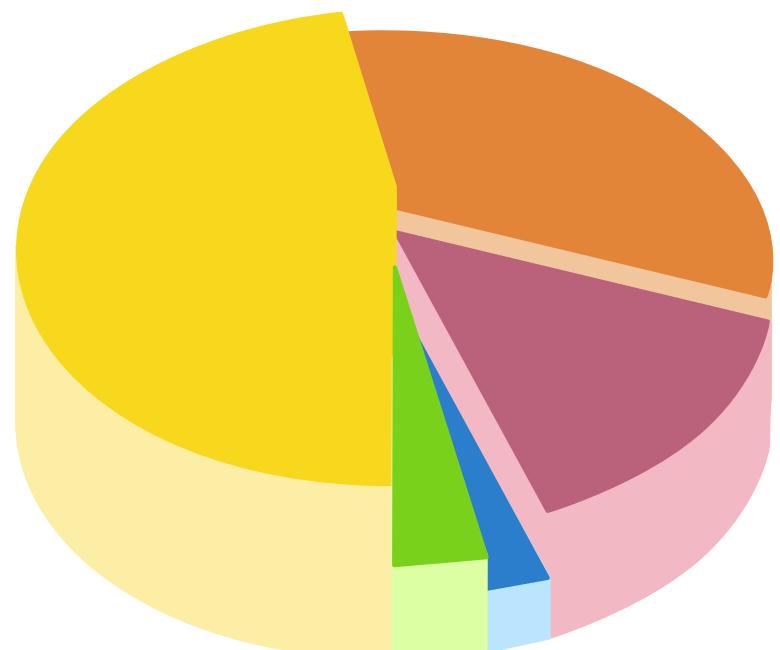
**Risk Appetite.** This is how much risk you can handle with your investment. In other words, how much of your money are you willing to lose should the investment underperform or not earn as expected.

**Time Horizon.** This is how much time you are looking for your investments to grow.

**Market Volatility.** This describes the unpredictable nature of the financial markets, where the prices of your investments go up or down fast.

**Returns.** Investment returns are the money you make on your investment over time.

**Portfolio.** A portfolio investment is a collection of growth options and assets you currently have. It can be a variety of stocks, bonds, or any other asset.



**Diversification.** Diversification means having a wide variety of investment options within your portfolio. This is a financial strategy to reduce your risk.

**Withholding tax.** Withholding tax is money that is deducted from your investment and paid to the government.

## How to Find the Right Investment for You

By Andoy Beltran

When it comes to your relationship with money, it's important that you are in control. You plan things because you are working within a budget. You set aside money for protection. You set aside money for emergency purposes. And you set aside money to invest.

Just like in real-world relationships, you don't force yourself into one just because everybody else is. A relationship is a "way in which two or more concepts, objects, or people are connected." In short, there has to be a connection, a purpose, a common goal.



But before you start investing time, effort, emotions, and resources into a relationship, it is best that you know exactly what you're getting yourself into. It starts with knowing what to do before you make that leap.

With money and investment, building an emergency fund should be a priority. It is non-negotiable. Then, gradually get a feel of investing one pay day at a time. Hopefully, this will make you fall in love with the knowledge of being able to grow your money.

So, once you get the hang of it, you now need to nurture this relationship. This involves time and patience. With money and investment, you need to get to know your money and its quirks. There are no shortcuts.

You are expected to give time for learning and later for earning. You need patience to deal with the ups and downs, which is like dealing with the market. It's not always rainbows and butterflies. You should understand the limits, and the behavior (or habits) that should be encouraged.

It also helps that you know how to approach the relationship. If you encounter problems, you can turn to a group of friends for support. In investing, you can't go wrong if you ask for help. You have investment professionals who you can turn to.

There's no single best way to handle and nurture a relationship. Each relationship is unique and it's no different from investing. There is no single best way to invest. As there are no perfect relationships, there are no perfect investments.

There's also no such thing as a perfect time to invest. But on the other hand, time is your friend when it comes to investing. The sooner you get yourself into investing – the better. Your chances of learning from this experience and eventually seeing your money grow can happen soon.

Like choosing your significant other, you choose investments based on what makes you happy.



I get asked a lot: "Andoy, what is the best investment out there?"

My answer, "there is no such thing as 'the single best' investment."

In investing, it's better if your investments are spread out. You also have to understand your goals, experiences, hesitations, investing capacity, limitation, and finally, purpose for investing.

**About the Author:** Andoy Beltran has 18 years of experience as an entrepreneur, real estate investor, stockbroker, financial literacy advocate, and public speaker. Through his work and advocacy, he has received numerous awards. He is currently vice president and head of business development and market education of the OFW Desk of First Metro Securities Brokerage Corp.



# Shortcut

HERE'S EVERYTHING  
WE'VE COVERED SO FAR.

- Make your money grow by investing instead of just placing it under your pillow or mattress.
- While investing is the fastest way to grow your money, there are risks involved.
- Investing is one way to beat inflation. When you invest, your money's buying power is maintained or gets better.
- Savings and emergency funds can help you survive a financial storm. But investments can help protect you in the future.
- Your money can grow more through compound interest.
- Do not be swayed by myths that deter you from investing.
- There are two types of investments. One is individual investments, like stocks. The other are funds, composed of several investments.

READERS' SECTION

# What Are Your Beliefs About Investing?

Do you believe any of these investment myths? Circle the number that best describes how you feel about each myth, with 1 being “I completely disagree” to 10 being “I completely agree”.

1. Only the rich can invest.

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

2. I am too old (or to young) to invest.

1	2	3	4	5	6	7	8	9	10
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3. I am not earning enough to invest.

1	2	3	4	5	6	7	8	9	10
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4. I am waiting for the perfect time to invest.

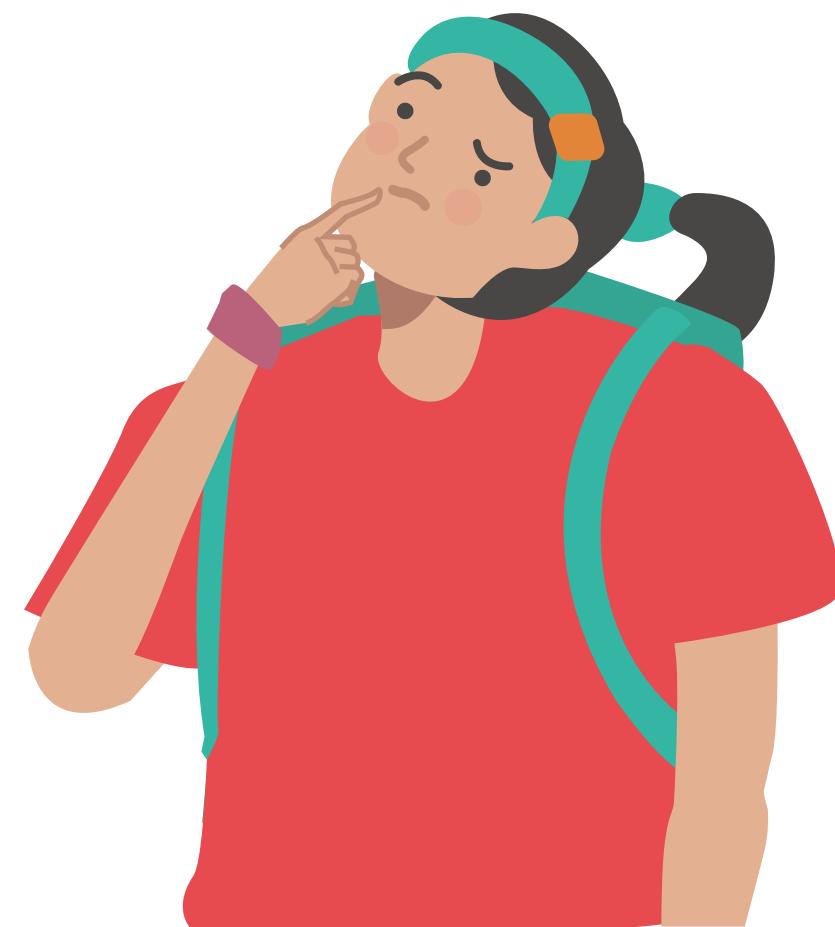
1	2	3	4	5	6	7	8	9	10
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5. Investing is too risky for me.

1	2	3	4	5	6	7	8	9	10
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What did you get? What made you answer the way you did? Do you have any hesitations on investing? Let us know by sending an email at [earnest@metrobank.com.ph](mailto:earnest@metrobank.com.ph).



JOURNAL

# Thoughts About Investing

Use this space to evaluate your opinions about investing. Go back to your budget sheet and see whether you're ready to invest. There are no right or wrong answers here!

Have you prepared an emergency fund?  
Can you start investing? Why or why not?

Do you know what your investment goals are now?

Can you make budgeting to invest a regular habit?

Feel free to browse through some sections again before we move on to the next one. Remember: it is okay not to understand everything the first time. As with all things in life, the lessons you learned here become easier when you keep practicing and honing your skills.

Next up: We will help you decide your investment choices. You will also learn how to protect yourself against risks and spot an investment scam early.





*A comfort zone is a beautiful place,  
but nothing ever grows there.*

- John Assaraf

CHAPTER 10

# Making Your Investment Choices



## What you will learn from this chapter:

- Knowing your investment goals
- The different types of investor risk profiles
- The power of diversification
- Where to start investing



In a survey by the Bangko Sentral ng Pilipinas, **46% of Filipino adults** say that they follow a budget. But close to half of them feel that they still don't have enough money for rainy days. While they do have financial goals, they believe that money controls their lives, adding that they cannot fully meet the daily cost of living and even financial obligations.

This also means that for most Filipino adults, living from paycheck to paycheck is a reality and every day, they make critical decisions on how much they can afford for food or their future.

In the previous two chapters, you learned the basics of investing and the power of compound interest. Now, you'll take a step to getting started

on investing. Keep in mind that investments carry risks, and there is *always* a risk that you will lose money. That is why you need to do your homework before you invest.

And since investing is part of your journey to good financial health, you should have already secured your savings account, made good with your budget, bought insurance for you and your loved ones, and built your emergency fund. It is recommended to have emergency funds before investing. But it is also acceptable to build your emergency fund while investing.

Before you jump into investing, and to help you in your choices, you must know how to determine your investment goals, and understand your risk profile.



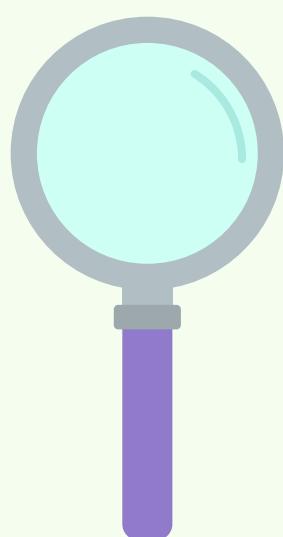
# Setting Your Investment Goals

**IT'S GREAT TO KNOW WHERE TO GO.**



ave you ever heard of the saying, “Failing to plan is planning to fail?” The same can be said for investing.

Even if you’re the most conservative investor, you will never find a completely risk-free investment. Nevertheless, knowing your goals can help reduce that risk because you will know how to build your portfolio and the steps to take for the long term.



## RISK

A risk is any uncertainty you have with your investment that will negatively affect your original investment, which also means losing money.

You must also align your risk profile and your capability to invest to know what your goals should be both for the short- and long-term. You don't need a lot of money to start investing. It is a myth that you need millions of pesos to invest or that you should wait for the perfect time to invest. The best time to invest is now, but of course this means you have an emergency fund tucked away, and the amount to invest is whatever you're comfortable with investing in. Again, you can build an emergency fund while setting aside a small amount for investing.

Also, gone are the days when the rich are the only ones who can afford to invest. Today, you can start investing for as little as PHP 1,000.

Now, learn how to make good investment goals. When it comes to goal setting, you can use the SMART framework, which stands for:

**Specific.** Set specific financial goals so that you know how much to budget each month and the purpose of your investment.



**Measurable.** Financial goals are easier to measure because there is a specific peso amount attached to them. For this, ask yourself, how much am I looking to earn each month or year?

**Achievable.** While it's perfectly okay to have big goals, setting achievable goals, especially for financial investments, can help you manage your monthly salary better.

**Relevant.** A good investment goal should always align with your broader goal and your values.

**Time-Bound.** Don't panic about this one. Putting an end date to your goal should not make you feel pressured but should give you enough push to calculate how much you need to save monthly to achieve your goal.

## Questions to Ask When Setting Your Investment Goals

Key to success is focusing on being SMART

How long am I willing to wait for my investment to grow?

How much from my monthly income should I use to invest?

Do I know what investments fit your goals

Who can I ask for help?

Why should I be investing?

Can I change my investment goals any time?



Once you've made your SMART goals, you can start developing your investment strategy.

Think about your short-, mid-, and long-term goals. Generally, short-term goals are less than 3 years long, while mid-term goals are those that need up to 10 years to complete. Long-term goals

are those that may produce returns more than 10 years after.

Another way of looking at goals is this: You can be a conservative investor with long-term goals, which means you can have long-term investments but are still conservative. Note that long-term investments are usually associated with riskier and more aggressive profiles.

However, there are also conservative time horizons that only range from 3 months or less.

So, it is a good idea to break your goals down even further, based on time, and what type of investment products you'll choose for each time goal.

For example, you may have two investment goals. The first one would be to establish an emergency fund in the next 6 months, and the other would be to plan for your early retirement. The first goal is time bound to half a year while the other is more flexible with a time horizon of 4 to 5 years, or more.

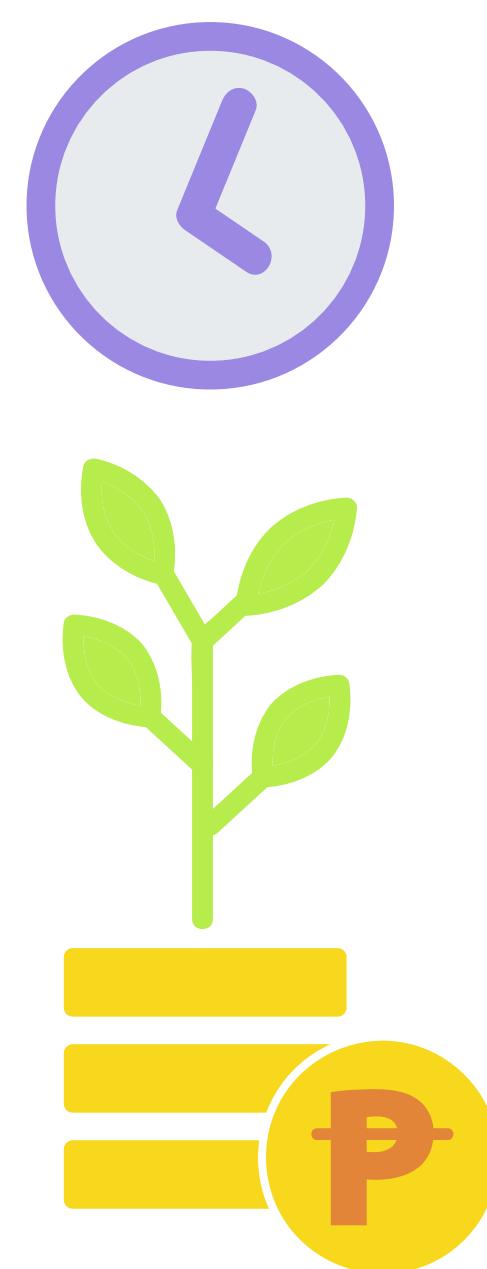
Using the SMART goal framework, you can decide which investment choices would be suitable for

you based on the time you need to earn money. Remember that even if you're technically a conservative investor, you can still choose more aggressive investments based on your SMART goals. But you may have to sign a waiver if you choose investments that go beyond your risk profile.

So, let's break down your goals using the SMART goal process. Which investments could do the following?:

- Help you start your emergency fund in the next 6 months? Would you consider conservative or aggressive investments?
- Help you have enough money to pay for your early retirement after 4 to 5 years?

Given what you learned, you may want to consider a collective investment, or those that have a low entry but high gain, for your first goal. For your second goal, you can consider a solo investment, or investments that earn a higher interest rate over longer periods.



Consider taking advantage of the concept of compound interest and keep re-investing the profit of your initial investment so that you earn more interest each year. This is one way to multiply your investments at a faster rate.



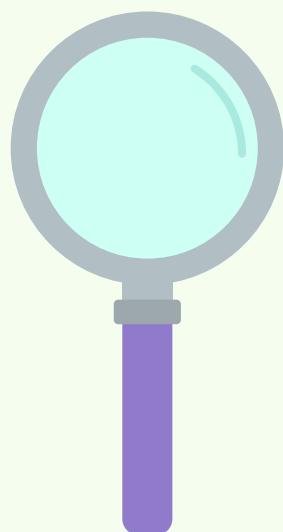


## How Much Risk Can You Take?

**KNOW YOUR RISK PROFILE BEFORE  
INVESTING.**

**F**rom what you learned in the previous chapter, you need to ask yourself, “How much risk can I handle with my investment?” Would you feel comfortable with the ups and downs of the financial market? Would you be okay if the value of your investments went

down after one month but has the possibility of going up the next?



## RISK PROFILE

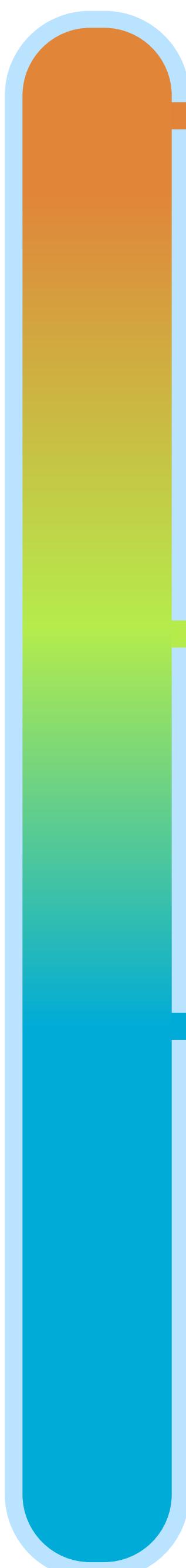
A risk profile indicates how much risk you are willing to take with your investment.

Aside from your risk profile, you should think about how much time you are holding your investments. Are you looking for a long-term (five years or more) investment or are you only planning to invest for three months or less? Your answers to those questions should be considered when gauging which investments are right for you.



# Which type of investor are you?

There are generally three types of investors.



## Aggressive Investor

The very definition of “high risk, high reward.” You like investments that offer long-term returns after 10 years or more and could even be looking at market downturns as opportunities to invest more.

## Moderate Investor

You are comfortable with a growing number of investments that you can keep and consistently invest in for the next 3 to 10 years.

## Conservative Investor

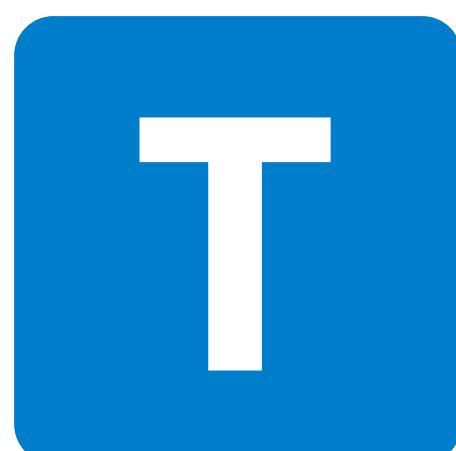
You favor stability over capital appreciation. You are more comfortable with investments which are not affected by market movements, and investments that you can convert to cash in less than a year.

Now, there are no hard and fast rules when it comes to investing. These definitions give you a general idea of different investing strategies. Also, considering the risk you’re comfortable with, you can invest conservatively, aggressively, or moderately depending on your chosen time horizon and needs.



## Diversification is Key

**CHOOSE THE ONES YOU NEED.**



here are no “risk-free” investments that double or triple your initial capital in just a few months. Remember the saying, “If it is too good to be true, it probably is.”

Investing is a key component of your financial wellness and should not be feared.

here are no “risk-free” investments that double or triple your initial capital in just a few months. Remember the saying, “If it is too good to be true, it probably is.”

Investing is a key component of your financial wellness and should not be feared.

The key to managing your risks is diversifying your portfolio. Before we take a closer look at diversification, let’s recall what it is.

When you have different types of investments in one portfolio, this is called diversification, which we discussed in the previous chapter.

Diversification helps manage your investments because if one asset doesn’t perform well, another could potentially make up for it. Diversification is a financial strategy to reduce risk.”

Diversification is also important to investing because it helps design your portfolio based on your risk profile.

Now that you understand diversification, here are some important principles on why it is a factor in multiplying your investment.

**1. Managing Risk.** When you invest in different asset types, you reduce the risk of your portfolio losing its entire value. One asset may lose value, but the rest of your assets could be gaining.



**2. Aligning with your Financial Goals.** A diverse portfolio means different assets are linked to a financial goal that has a specific time horizon.

**3. Having a Higher Chance of Growth.** The more investment choices you have, the higher your chances are for returns.

By now, you're thinking, "Okay, cool, I know my risk profile, I've made my SMART investment goals, and I know the importance of diversification. But what's next?" Here are more tips that can help you:

**1. Determine Your Risk Profile.** Knowing your appetite for risk will help you understand how

you grow your money and spread your wealth. For example, if you are a conservative investor, you can allocate 80% of your portfolio to low-risk opportunities, such as money market and bonds.

**2. Build Your Portfolio.** Your portfolio can change depending on your comfort level. You can be conservative, moderate, or aggressive at any time, and adjust the components in your portfolio as needed.

### **3. Learn and Never Stop Asking Questions.**

Learning a little each day can help you be more confident when choosing the right investment for you. (*This is another reason to keep reading this book*).

If you're still confused about how to diversify, then consider speaking to a professional advisor or a bank representative.

You can also start with a portfolio that is completely balanced, with 50% conservative options and 50% more aggressive ones. Take some time to see how your portfolio performs and whether you want things to change. You

## What to Consider When Designing Your Diversified Portfolio

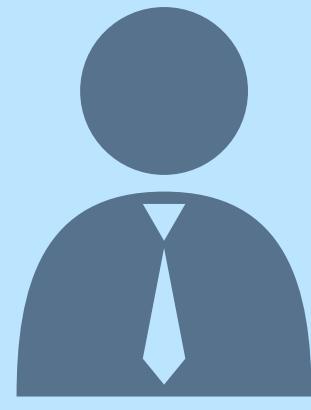
We know: It sounds like a lot. But diversifying your portfolio doesn't have to be difficult at all if you are:



**Patient.** Regularly check on the performance of your portfolio. Be patient and allow your portfolio to grow through compound interest.



**Disciplined.** You must be disciplined about your monthly budget (review what you learned from the previous chapters). Add as much as your budget allows to your investments each month.



**Adaptable.** You must regularly audit your portfolio, with the help of your bank, broker, or financial adviser. Seeing what you can change can help you maximize your investment's growth potential.



# Where to Get Started with Investing

TAKE A CLOSER STEP TO FINANCIAL WELLNESS.



Hopefully, by now, you're excited about investing and want to know where to start. In the Philippines, there are three ways to start:

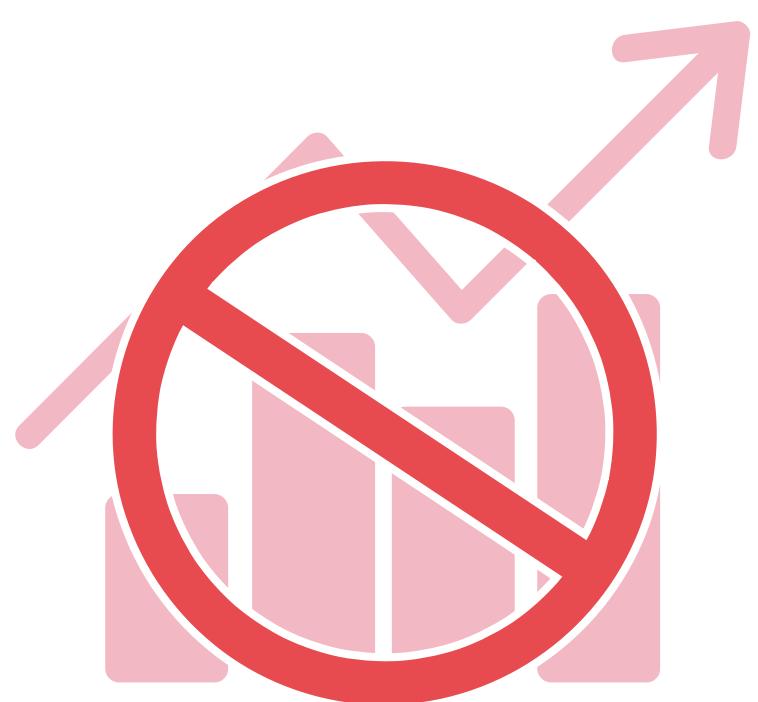
Investing through banks. The safest way to begin your investment journey is through your local bank. All banks in the Philippines offer a variety of investment options. These include bonds, time

deposits, trust funds, and long-term negotiable certificate of deposit (LTNCD).

**Investing through government-accredited investment institutions.** These have investment managers who can help you choose the right investments. Government-accredited institutions offer stocks, mutual funds, and real-estate investment trusts (REITs). For your safety, get the latest list of accredited investment institutions from the Securities Exchange Commission.

**Investing through financial technology companies.** Some banks and financial institutions allow you to invest online and via mobile apps. These are the most convenient investment methods, but they also carry a higher degree of risk. Always check red flags for fake investment websites or apps.

Nowadays, it's easy to be told where to invest. But never let your guard down. Many people fall prey to investment scams, especially if the perpetrator is a close friend or relative.



Take for example Anette, an overseas worker in Singapore, who was approached by a friend on Facebook to invest in real estate property. For only PHP 10,000, Anette was promised that she would earn 50% returns on her initial investment each month.

In the first few months, Anette was receiving some of the earnings. She was convinced to keep investing more for bigger gains. And so, she did. But it all fell apart after 6 months when the returns stopped. Her friend on Facebook blocked her messages.

Later, Anette found out that she was among the many overseas workers targeted by an investment scam. She lost more than PHP 500,000 on a flimsy promise of high profits in a short time.

So, what is the lesson here? Whenever someone approaches you about an opportunity to get rich quick, be very cautious. No legitimate investment would earn you more than what you've invested within a specific time. Most likely, the person offering you is a scammer.

There are other types of investment scams out there, all of whom are targeting vulnerable people who hope to earn money fast. They are also getting more sophisticated. Still, there are easy ways to avoid being tricked by simply looking at a few red flags. Here are a few ways to spot them:



**1. Promise of a Huge Amount of Money in a Short Period.** Again, if it's too good to be true, it probably is. Don't be lured into a promise of double or triple your money after only a few days.

**2. Sense of Urgency.** The biggest tactic done by scammers is to create a sense of urgency. Avoid messages that require you to immediately act to avoid losing an opportunity to earn big.

**3. Wrong Spelling or Grammar.** Tell-tale signs of a scam are misspellings or grammar errors. They are difficult to spot, but often these errors are present.

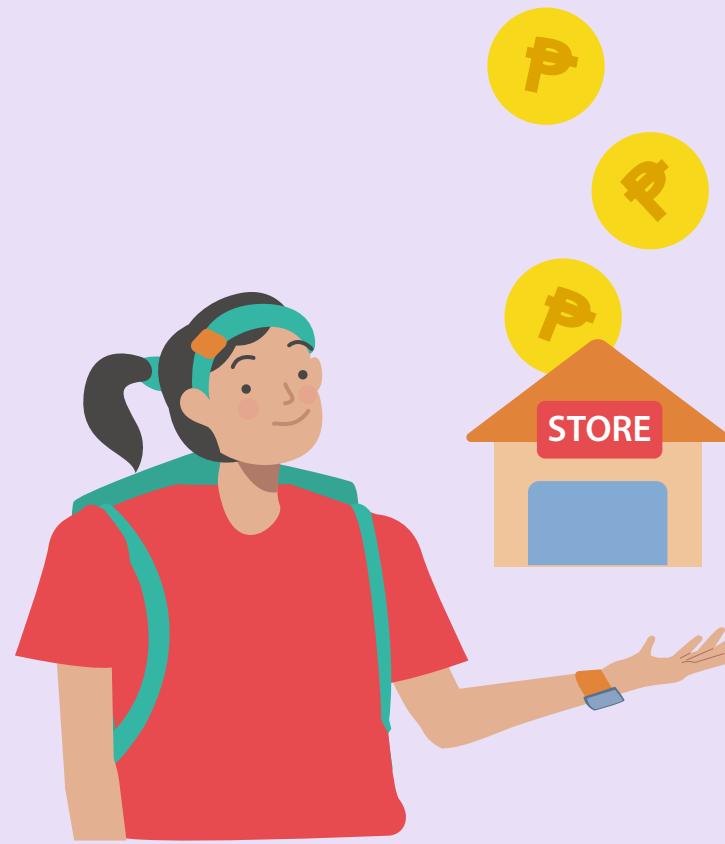
**Unofficial Emails** Legitimate investment firms will always have the name of their company in their email addresses. If you receive an unwanted or unexpected investment-related email, immediately confirm that you are the intended recipient by contacting the official investment firm's phone or email address.

## From Peso to Prosperity: How to Build Wealth in the Philippines

By Andoy Beltran

When it comes to building wealth, Filipinos talk about *pagne-negosyo*, which is starting a business or even buying a franchise of an existing business.

When you decide to start a business, you just don't do it yourself. You must do everything yourself 24 hours a day, seven days of the week. Successful entrepreneurs go into business to control their destiny and to blaze their own trail. By doing trial and error along the way, they devote time, effort, and attention to getting a business up and running, and from not failing.



Some entrepreneurs choose to buy a business franchise to build wealth. While this can require more capital, a franchise will need additional investment since you are buying into an established brand, a system, an inventory management, supplier network, a product and service, and even a business registration.

Now, if you like to get the best of both worlds of starting a business or owning a franchise, you might want to consider buying shares of stocks of a publicly listed corporation.

Enter, stock market investing.

Investing in stocks gives you the opportunity to become co-owners of corporations. This means you become business partners of top entrepreneurs, tycoons, and business leaders in the country.

You can start exploring stocks through online stock brokerages, where you can create an account that gives you access to publicly listed stocks of top 30 companies in the Philippines, the Philippine Stock Exchange Index, and blue-chip companies.

All of these at an initial investment of PHP 5,000. With stock marketing investing, you can co-own business empires like Jollibee Foods Corporation (JFC) for an amount cheaper than a value meal in Greenwich, Chowking, Mang Inasal, Red Ribbon, and Burger King, combined. These companies are all owned by JFC.

So, the next time you buy something from these companies, you would feel less guilty because you know a certain percentage of your spending would go back to you as you own stocks of JFC.

Now, let's take a closer look at JFC. In 2005, its shares went from PHP 26 to as high as PHP 328 per share in 2018.

It dipped to PHP 90 during the height of the pandemic. But on May 5, 2023, JFC shares gradually recovered to PHP 225, as business and economic conditions started favoring the company.

In terms of dividends, JFC stockholders received PHP 1.30 per share at the height of the pandemic. So, for investors who owned 100,000 shares, they earned PHP 130,000 from dividends in 2020 alone. Not bad as this happened during the time of uncertainties, unemployment, and business closures. Next, let's look at government or corporate bonds.



Also known as bond market investing, this set of investment opportunities offers you a predictable income stream. For this reason, this investment is often called “fixed income securities.”

Fixed income securities can help preserve your capital (initial investment) and let you earn from both price appreciation and periodic coupon (interest) payments, which in turn, can offset market movements.

Government bonds are used to fund new or existing government projects, while corporate bonds are used for business expansion, hiring, and development of new products and services.

Finally, if you plan to invest in different stocks, or several bonds, or even a combination of both, but you have limited resources, you can try Mutual Funds (MFs) or Unit Investment Trust Funds (UITFs).

MFs and UITFs are collectively called “pooled funds” because they are baskets of stocks, bonds, and other securities that are pooled with other investors’ money. This creates a larger investment pool, which is reinvested to earn on interests. These funds are managed by banks or fund managers working for accredited financial institutions. You are essentially “outsourcing the decision-making and tactical strategizing” to them, which is good for those who have limited time to manage investments.



Mutual Funds or UITFs offer diversification because investing in one type of fund gives you 10, 20, or more underlying assets. These funds also allow you to minimize your risk and yet you get while offering better returns than doing this investing into each fund individually.

Mutual Funds makes the most out of your hard-earned money because your earnings are exempt from capital gains tax, which is tax collected from such an investment.

So, not all investments are created equal because not all investors are created equal.

Each investor has varying appetite for risk, as well as time horizons, or the length of time they are willing to invest their money. They also have different situations and different goals.

As a rule of thumb, the lower the risk you are willing to take, the lower the potential return on your investment. The higher the risk you are willing to take, the higher the potential of your money to grow.

There is no such thing as an investment with low risk, but high returns. If you are being presented with such, chances are, you are getting offered an investment scam.





# Shortcut

HERE'S EVERYTHING  
WE'VE COVERED SO FAR.

- The first step in investing is knowing your goals.
- Make your goals SMART so that you know what steps to take to move forward.
- In investing, knowing how much risk you're comfortable with will determine what kind of investment suits you.
- One of the best ways to reduce your risks is to diversify your portfolio.
- There are several ways to start investing. Start with your local bank.
- Spot the red flags in investment scams. If an opportunity is too good to be true, for example, it could be a scam.

READERS' SECTION

# Know Which Investments Are for You?

To help you decide which set of investments are for you, take this short quiz:

1. I am
  - a 65 years of age and above
  - b Between 51 to 64 years of age
  - c Between 36 to 50 years of age
  - d Below 35 years of age
  
2. What level of risk in relation to returns (on your investment) are you most comfortable with?
  - a Okay with low returns if my principal investment is protected
  - b I can accept minimal risk for stable returns
  - c I can accept moderate risk and short-term losses for potentially higher returns over time
  - d I am willing to take high risks to achieve the highest potential returns over the long term
  
3. How long are you willing to keep your money invested?
  - a Less than 1 year
  - b 1 to 3 years
  - c More than 3 years but less than 5 years
  - d More than 5 years
  
4. How much do you know about investments?
  - a Minimal. I have savings and time deposits
  - b Low. I know the basics of money markets and bonds
  - c Medium. I have existing mutual funds and UITFs
  - d High. I trade stocks and have other assets in my portfolio

## READERS' SECTION



5. How long have you been investing?

- a Less than 1 year
- b 1 to 3 years
- c More than 3 years but less than 5 years
- d More than 5 years

6. Minus essential and non-essential expenses, how much of your total income can you invest?

- a 10% of my income, or even less
- b 11% to 20% of your income
- c 21% to 30% of your income
- d More than 30% of your income

7. How would you feel if the value of your investment went south in the short term?

- a Any loss on my principal is not acceptable
- b I would be very concerned and would monitor my investments until it recovers
- c It wouldn't be too much of a concern if I get positive returns eventually
- d I am a long-term investor. I wouldn't be concerned because I understand that high returns are associated with high risk

After choosing your answers, use the guide below to tally your total score. Then find out what type of investor you are.

A = 1 point

B = 2 points

C = 3 points

D = 4 points

**Conservative Investor.** If your total score is below 7 points, then you are conservative when it comes to investing.

**Moderate Investor.** If your total score is between 8 to 15 points, you are a balanced or a moderate investor.

**Aggressive Investor.** If your total score is more than 16 points, then you are an aggressive investor.

JOURNAL

# Better Understanding of Your Investment Goals

Let's pause for a while and reflect on what we've just learned. Use the space below to write your answers. There are no right or wrong answers.

What is my risk profile? How will this affect my investment goals?

How much could I budget for investing each month?

What is my main reason for investing?

This chapter serves as a guide for you to begin your investment journey. However, there is so much more you can learn, and we encourage you to do your own research after reading this book.

Also, pick a topic that interests you the most and keep learning about it or ask a financial professional to explain it further to you.

When it comes to investing, if you're not earning, it's best to be learning.

Now that you have an idea of how to invest, the next chapter will zoom in on a different strategy where you can learn how to augment your income, while you find opportunities to upskill.





*The secret to getting ahead  
is getting started.*

- Mark Twain

CHAPTER 11

# **Boosting Income Towards Your Money Goals**



## What you will learn from this chapter:

- Why you need to build multiple income streams
- The art of side hustling
- Why you need to upskill
- How to balance a job, upskilling, and side gigs



ow you know that having investments are important in securing your financial future. But if you're still struggling with unwanted debt or your income is *sakto lang* for your daily needs, how do you get to a point where your savings start growing and you'd have excess income for investments?

There's a saying that goes: "Your 9 to 5 pays the bills. What you do afterwards takes care of your dreams." At the rate prices of goods and services are going up, it's difficult to imagine surviving on just a single source of income. That's why it's wise to set something aside and invest, so your money can help make even more money.

In a 2021 study commissioned by Metrobank, Filipinos admitted to having a complicated relationship with money. Recall that money can be both used as currency (something that can be spent or saved), or as an asset (something that can help grow your money and build wealth).

Among the lower-income individuals, saving money is important but they are torn between saving or spending it. Often, living paycheck-to-paycheck, they also see money as essential for their survival.



An [Esquire survey](#) also showed that most younger Filipinos (millennials and Gen Zs) said they can't afford to lose jobs because they don't have enough savings to survive for at least 6 months.

Meanwhile, according to the same Metrobank commissioned study, middle- to high-income individuals believe that money begets money, which means they are motivated to find more sources of income and means to grow their wealth.

Let's recall this concept in budgeting: if current income is money coming in (input), money going out are expenses, and savings is what's left in the balance of your budget, then the question to ask is this: "How can you amplify your input if your expenses remain the same or gets larger in time?" Or simply put, what can be potential sources of added income streams?

There can be several ways to build up multiple income streams. Two options are available: starting a side hustle to augment your primary income source and upskilling to improve career prospects which can later be used to negotiate for higher pay.

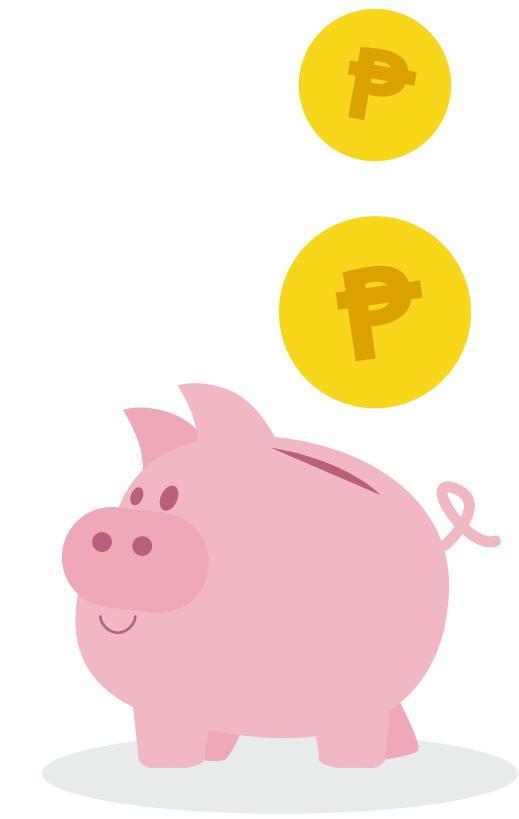
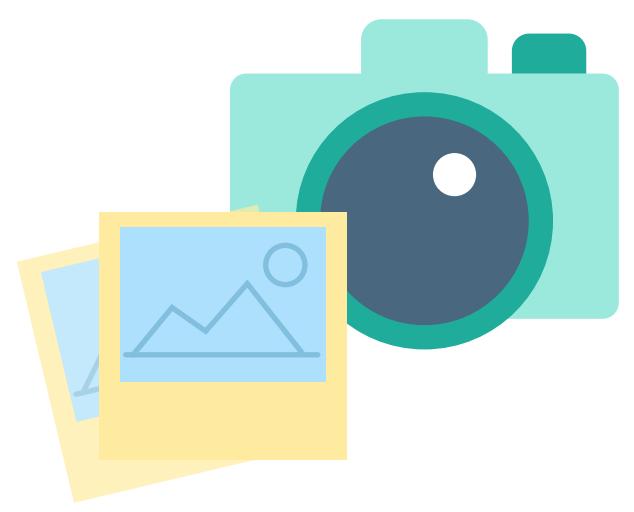
The combination of low income, rising costs of living, and Filipino resilience has created a culture of side hustles and *raket*. This is seen in the boom of backyard businesses, homemade food sellers, online fitness coaches, part-time teachers and tutors during the pandemic, when the country also saw the **highest unemployment and underemployment rates** in history. It is important to note, however, that a side hustle is not a replacement for your current job.

However, there are side hustles that turn out to be successful and they could replace your primary source of income. If a side hustle exceeds expectations, it could even become an added source of income, which could be invested in your early retirement.

Meanwhile, there is another way to build up money goals and diversify your additional income streams. It involves upskilling. When you upskill, you boost your credentials and put yourself in a better position for a raise, a promotion, or a new and better job.

By investing in yourself, your knowledge, skills, and talents, you can improve your earning power, which can help your career advancement. On the other hand, if you have a hobby or talent, find a way to make it profitable and earn more money on the side.

Understand, however, that side hustles and similar activities do require time and effort. To earn added income, you must give time, energy, and brain power to get things done. Some may choose to



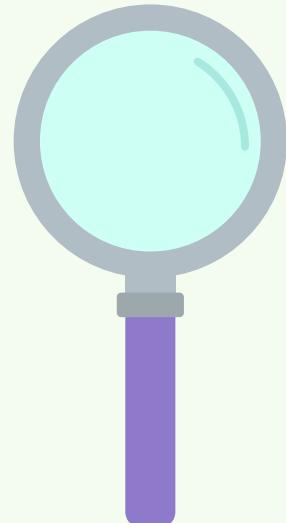
do this work from home. But majority of Filipinos don't have such luxury.

It is important to note that side hustles are considered “active income” sources. This means you must do more work or give a service to get compensated. This is different from “passive income” sources, which you can earn from investing or by renting out a property, which earns you passive income.

As you have learned from earlier chapters, investing allows money to work for you, and that it is the best source of passive income streams because it doesn't take a lot of effort compared to hustling.

## ACTIVE INCOME

It is income you get after doing work or performing a service. This includes salary, tips, commissions, and wages.



## PASSIVE INCOME

It is income that you earn with minimal effort. This is what you earn when money works for you.

## UPSKILLING

This involves enhancing your existing job skills or learning new ones, either independently or from your employer, through training or further education.



## The Art of Hustling and Creating New Income Streams

**MAKE THE MOST OF YOUR TIME  
AND TALENTS.**

**R**ecall your public school teacher selling sandwiches on the side? Or a classmate who was selling cool T-shirts from the trunk of his car? Necessity is indeed the mother of invention, which may be the reason Filipinos are learning to hustle to find more added income.

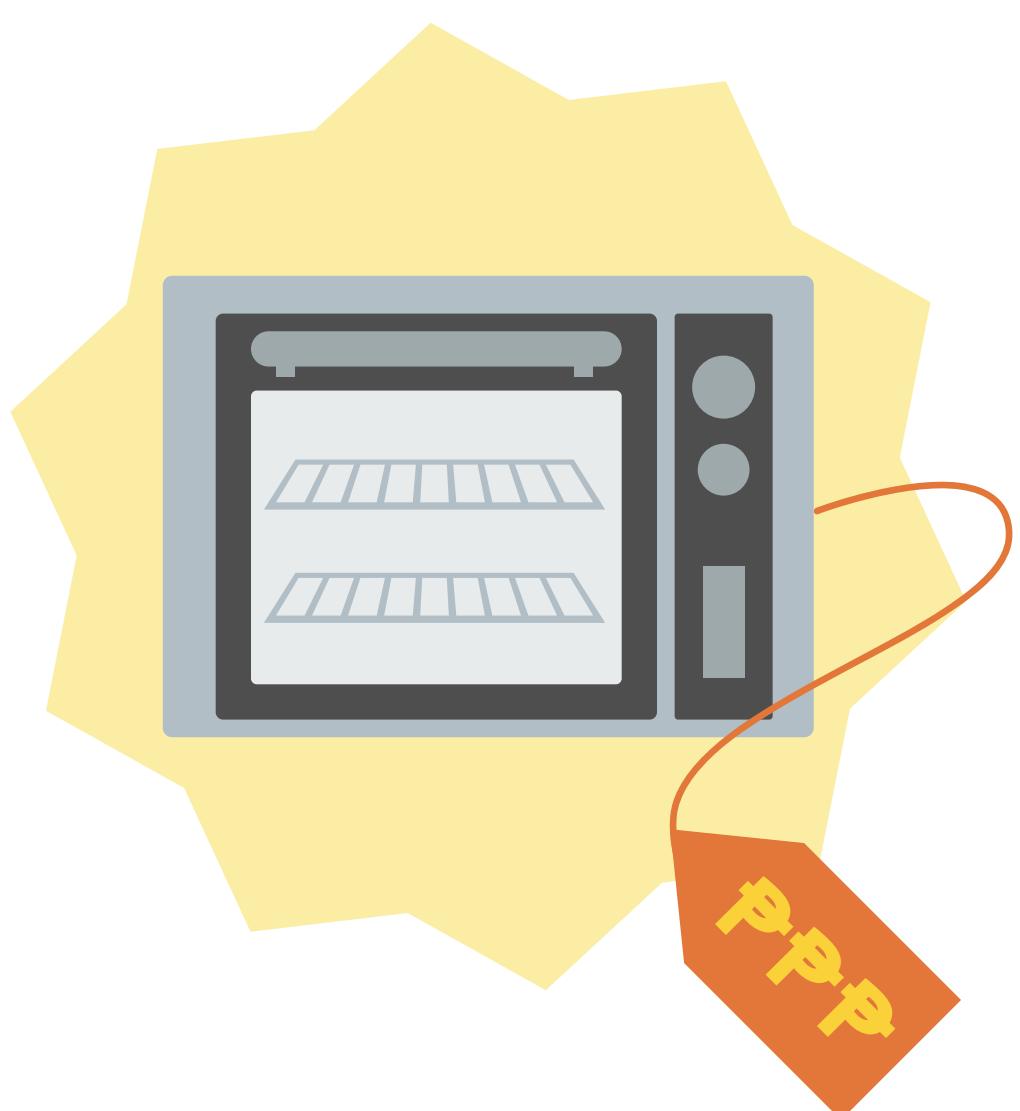
Let's look at some of the more common ways to boost your income streams.

## Starting a small business out of your hobbies and talents

**The lowdown:** If you're a talented baker, good at arts and crafts, or something similar, you can start small to test your market and find your niche. Once you start earning good money, you may use your revenues to scale up later and widen your reach to get more returns.

**Benefits:** You make use of your free time, ideally doing something you enjoy while making money from it.

**Challenges:** High quality, professional equipment can be costly. You have to establish stable earnings from side hustles first or have enough savings to buy this equipment. You should also have a solid business plan to help you lower your risks of failing. Note that side hustles with good business plans are not always guaranteed to succeed and thrive.



On the other hand, you should be agile enough to move and decide quickly, while seeking advice (or even validation) from mentors or other successful entrepreneurs. If you fail, you can use that as part of your learnings and apply that to improve your business plan as you move forward.

## Finding part-time jobs or freelance work

**The lowdown:** First, make sure that your 9 to 5 job is not disrupted by your side gig, nor does it compromise your focus in your primary job. Also, check if your employee contract does not prohibit you from pursuing a side hustle. With that in mind, you can take the skill you know you're good at and earn extra income as a freelancer on weekends or after office hours. You can also take a part-time job and moonlight (or take a second job) after your regular shift, if it does not disrupt your main job or violate any employment policy.

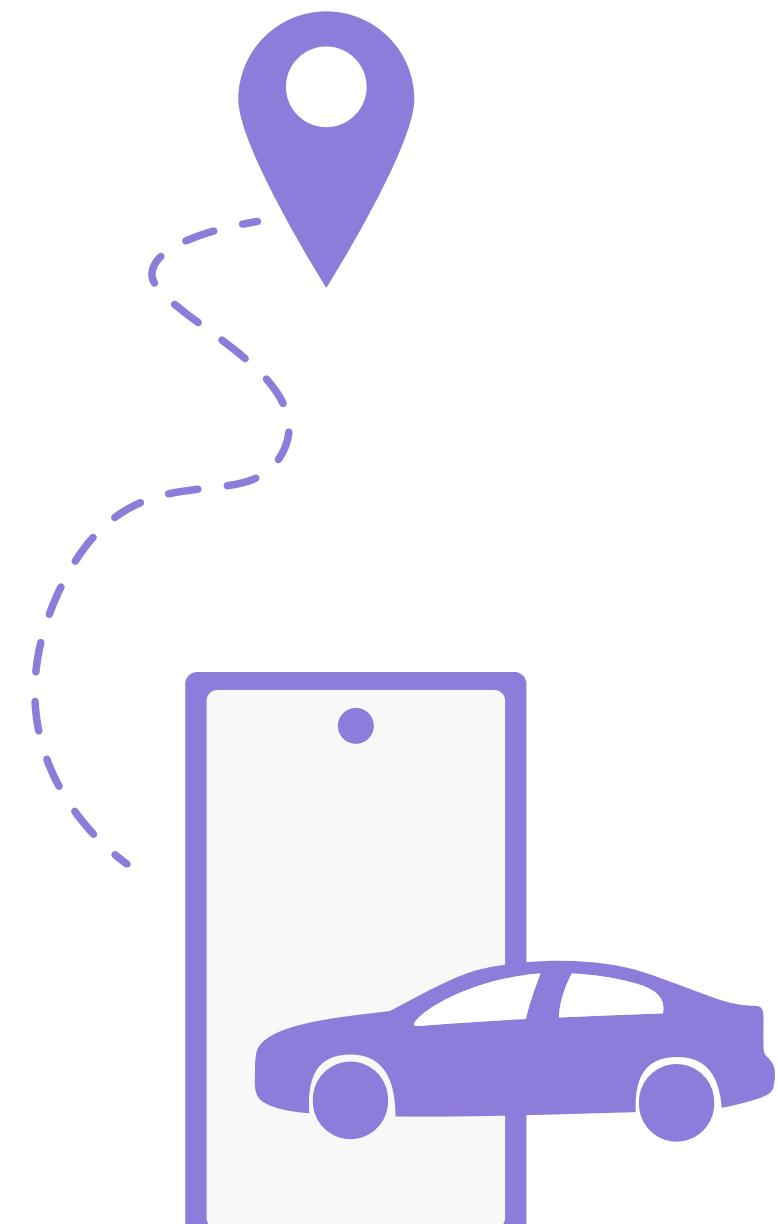
**Benefits:** Freelancing using your primary skills can help further hone it and set you up for better abilities. It can also help build your network and open more opportunities.

**Challenges:** You may find yourself burnt out from working two jobs. Also, not all employers

allow their staff to have another job while fully employed, so clear things first with your boss and HR.

## Leveraging on e-commerce

**The lowdown:** If you own a car or a motorcycle, you can sign up with one of many ridesharing services, e-commerce, or delivery apps as an independent supplier and earn extra income while you're working.



**Benefits:** You can make money using an asset you own.

**Challenges:** Your car or motorcycle could get worn down faster, increasing your repair and maintenance costs. Being on the road more often also increases the risk of you getting into an accident. Also, if you plan to pursue this side hustle, make sure you hold the right professional driver's license, and that you have secured the proper insurance coverage.

## Renting out property or assets you own

**The lowdown:** Earn rental income from your weekend house or even a spare room in your existing home.

**Benefits:** If you find a good, reliable tenant for a property or a transient for a spare room, you can enjoy a regular and added stream of income.

**Challenges:** Unless you are renting out bedspace or property that you own, buying real estate is expensive. Unless you are very liquid and can pay in cash, you will have to get a loan to buy a house, a condominium, or an apartment to rent out. If you have trouble finding (or dealing with) a tenant, you may find yourself stuck paying loans, taxes, repairs and maintenance costs without getting any income in return.

## Participating in online marketplaces

**The lowdown:** Put your goods for sale online, either through e-commerce platforms or social media marketplaces.

**Benefits:** You can expand your market base beyond your neighborhood or office, while taking advantage of the existing secure payment

systems and logistic services of e-commerce platforms.

**Challenges:** E-commerce platforms will take a commission for every sale you make through them. Social media-based marketplaces, on the other hand, have little buyer and seller protection mechanisms, exposing you to the risk of frauds.

### How Much Money Should You Earn to be Happy?

Can money buy you happiness?

One of the financial challenges faced by majority of Filipinos is that the [average salary](#) of PHP 24,000 is just enough to cover the costs of living in the country, and is below the [happy income](#) of PHP 110,000 per month, according to a 2021 study.

While money cannot buy happiness, the study said having enough can help spare you from financial stress that could erode relationships, your sense of security, and your well-being.

The latest [World Happiness Report](#) ranks the Philippines 76th out of 109 countries. The report considers income, health, having someone to count on, having a sense of freedom to make key life decisions,



generosity, and the absence of corruption as factors in national happiness.

In a March 2023 [survey](#), over 80% of Filipinos rate themselves as either poor or on the borderline of poverty, while less than 20% consider themselves not poor. Interestingly, this is far above the official government statistics, which showed that only 18.1% of Filipinos as falling below the poverty line.





# Why Do You Need to Upskill?

**INVEST IN YOURSELF TO GET AHEAD.**



Upskilling is one aspect that a modern workplace requires. Technological advancements and a rapidly changing job market mean that you should be able to avoid being obsolete, to remain relevant, and to continue being competitive.

The [World Economic Forum](#) estimates that around 14 million jobs could disappear by 2027

due to technological developments including the rise of work automation, artificial intelligence, and streamlining.

The fastest declining jobs are those with clerical or secretarial roles, such as cashiers and ticket clerks, and data entry clerks. Even professions that were once considered highly secure and desirable, such as those in accounting or even law, are at risk.

While artificial intelligence (AI) and automation are set to take over these roles, cognitive skills such as analytical and creative thinking remain in high demand.

“

By investing in yourself, your knowledge, skills, and talents, you can improve your earning power, which can help your career advancement.

While it is in the interest of businesses to continue reskilling and upskilling their workforce to avoid job shedding as they adopt technology and embrace automation, workers must also take the initiative to seek out opportunities for personal growth to protect themselves from unemployment or underemployment.

## What does it mean to be underemployed?

You are underemployed if you need a full-time job, but only a part-time position is available to you. You are also underemployed if you take on work that is beneath your capabilities and cannot meet your financial needs.

It is still a persistent issue in the Philippines, according to 2022 [government statistics](#).

Out of 49 million working Filipinos, 12.6% are underemployed. This means that 6.2 million workers said they would like added hours of work in their present jobs, have added jobs, or have a new job with longer work hours.

Being a college degree holder doesn't protect you from underemployment, as 40% of underemployed Filipinos are [college educated](#).



To upskill and expand your current professional capabilities and competencies, here are some potential avenues for you to level up your skills toward career advancement, a promotion, or even a raise.

**Pursue higher degrees, licensure, and certifications.** Getting a postgraduate degree,

such as a Master's in Business Administration can further your career. However, depending on which institution you earn your degree from, costs can be prohibitive, as private universities charge anywhere from **PHP 100,000 to PHP 1.7 million**. Getting an MBA from a state university, like the University of the Philippines Diliman, costs a more reasonable PHP 7,500 per semester for Filipino students. Meanwhile, you can earn specialized certifications for high-value skills, such as computer programming, leadership, crisis management, and project management. Costs can vary, and you may want to check if your company can subsidize your training and development.

**Enroll in online courses.** Use your online time wisely to enrich your skills and knowledge. One of the key benefits of self-paced online courses is that you can access many of the courses in your own time. You can even get online degrees or certifications from prestigious universities without having to travel or take a sabbatical from work. The University of the Philippines Open University, for example, offers free



certifications, while the online platform Coursera offers financial aids too.

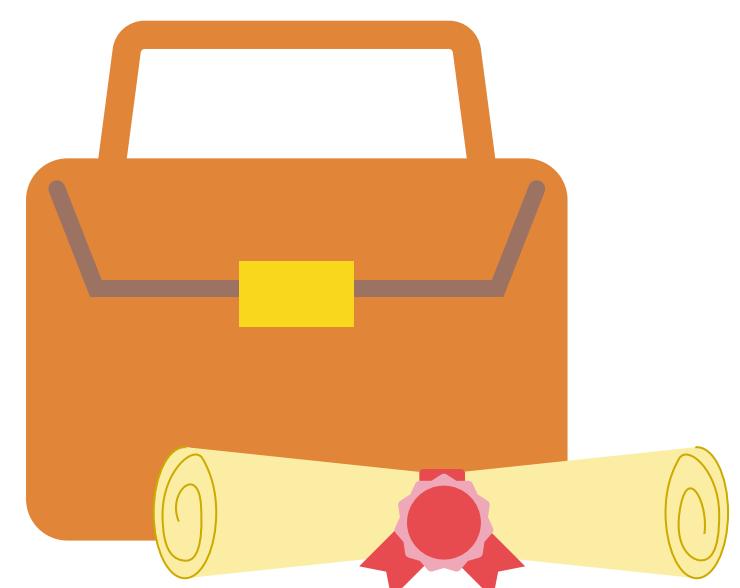
**Join industry-specific workshops and webinars.** Many professional associations host workshops and training sessions for members. Some professionals, such as lawyers and doctors, require continuing education before renewing their licenses. Private organizations and media organizations also host webinars for members, subscribers, or the public.

### **Be part of a professional association.**

Professional associations can be a great venue for getting to know trends and opportunities in your field. Groups like a Rotary Club or Toastmasters can help link you with professionals from other industries, which organize workshops and seminars for members. Also consider joining professional organizations from within your industry, so you get to network with people from other organizations, meet and learn from industry personalities, and thought leaders.

**Take vocational training programs.** The truth is a college degree is **not the only answer** to have a fulfilling career. The Philippines' overproduction

of college degree holders has resulted in a mismatch with the actual competencies required by industries. The Technical Education and Skills



Development Authority (TESDA), a government agency, offers online programs on a wide range of skills and fields, free of charge for Filipinos. Courses offered include digital animation, mechanics, business management, culinary arts, cosmetology, software development, and other disciplines that can be useful for a side hustle, career progression, or even starting a new job.

**Surround yourself with mentors.** Having a **good mentor** who can help in your personal and professional growth can be one of the best things that can happen to you. Apart from having someone to turn to for guidance and advice, mentors can help you develop leadership skills, gain more confidence, develop better problem-solving skills, which could lead to better mental health. So don't be afraid to approach and befriend the boss you look up to. **Good leaders** are happy to guide and coach you, especially if they see your potential and eagerness to learn.

## A Note on Network Marketing

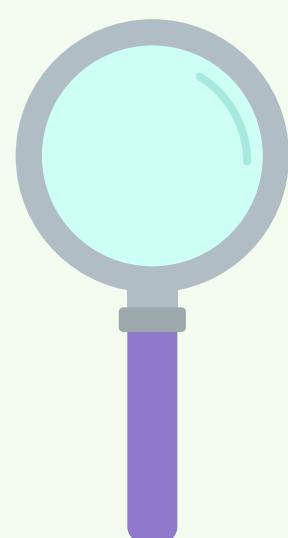
Also known as multi-level marketing (MLM), network marketing involves selling products and services directly to consumers with the promise of high profits and quick returns.

To appeal to new recruits, organizations using this method promise benefits like being your own boss (and getting out of the rat race) or a retirement plan where you can live a good life.



Network marketing involves building a network of people who you recruit to buy and later sell products and services for you. It starts with someone on top of the pyramid who needs to recruit several people to build a network of people. The catch: people who are added to the network are promised commissions if they recruit more people under them. The higher they are in the “network pyramid,” the higher their earning potential in terms of commission and bonus from recruits below them.

Network marketing is a method used to generate an army of independent and direct salespeople. However, there are many cases where this method was misused and abused to lure people into parting with hard-earned money to buy often expensive products and services. But as it turned out, it was an elaborate Ponzi scheme, also known as a “Pyramid Scheme.”



### PYRAMID SCHEME

This is a type of fraud where investors are asked to recruit more investors and get paid based on the number of recruits they get into the scheme, and thus creating a pyramid of downlines.



## Make Work-Life Happiness a Reality

**KNOW YOUR PRIORITIES FOR A FINANCIALLY  
HEALTHY PERSPECTIVE.**

**I**f you're lucky enough to find a side hustle that lets you create multiple income streams, it can be a challenge to juggle a full-time job, a side hustle, and your personal life.

Managing your time effectively between working, finding ways to boost your income, upskilling, and having quality time with your

family is a delicate balancing act. Taking on an entrepreneurial mindset can help you find the focus and motivation to keep going.

Consider these important items if you plan to earn from your passion.

**Weigh your risks, especially if you're still employed.** Unless your side hustle can sustain your needs (read: essential expenses), don't neglect your primary work obligations in favor of your sideline. Also make sure that your work allows you to pursue your sideline. If you're a breadwinner, bear in mind that your primary job provides added benefits, such as healthcare for your dependents, which you may not be able to cover with your side hustle.

**Prioritize tasks and set realistic goals.**

Ambition is good, but don't burn yourself out trying to achieve something that is unattainable and unnecessary.

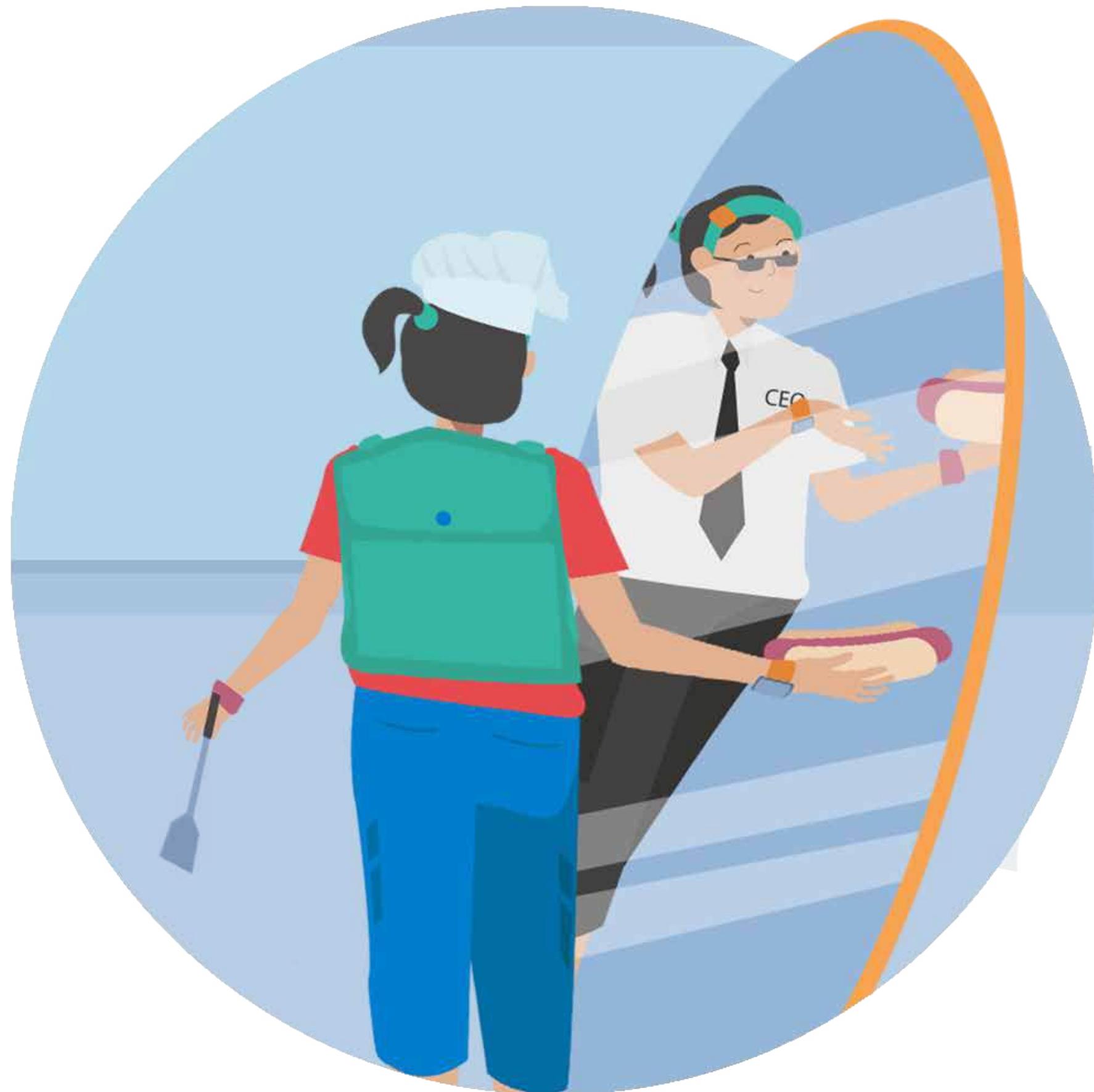
**Manage your time well.** Like every resource, time can and should be properly managed, otherwise you might find yourself with too little time left over for the things that are just as

important as your financial goals, such as creating memories with your family.

**Find the right partners or even mentors to help you.** If you have peers who share similar goals and have the skills that can complement yours, buddy up and see how many hands can make work light.

**Create a support network with family and friends.** Talk to those closest to you about your goals. People who love you will support you, make sure you're all right, and give you the honest feedback that you need.

**Stay healthy, mentally, and physically.** Overworking is a reality. It is so prevalent in Japan that they had a term for it: *Karoshi*. Financial health is important, but if working towards it comes at the price of your mental and physical health, then it's too expensive. Majority of Filipinos seem to be prioritizing their well-being over money. A [survey](#) found that 73% of respondents are willing to turn down a promotion or pay raise in favor of better work-life balance, overall well-being, and happiness.



# Can a Side Hustle Be Turned Full-Time?

**HOW TO UPSKILL YOUR WAY TO BEING YOUR OWN BOSS.**

**W**hile it is entirely possible to find financial security and **become wealthy as an** employee, the Philippines suffers from one of the highest income inequality rates in East Asia. The bottom half of Filipino income earners make less than the top 1%, a **report** said.

So, unless you are among the 1% or comfortably close to them, you may want to consider

upskilling or side hustle to improve your prospects, and even find yourself on the path to becoming your own boss.

This was the path Annie, an architect, took after a decade as an employee. Annie worked for a large design firm in Makati. As a junior architect, she earned a monthly salary of only PHP 12,000. Luckily, the firm allowed her to accept small design projects that she could do on weekends, if it did not interfere with her work.

So, she stayed on for a few more years to receive help from the mentorship of senior architects and to build her network with the higher-end client base. She was later promoted while learning more about the business of running a design firm. Eight years later, she decided to start her own architectural firm with three of her peers. Now in its 12th year, her firm has a steady stream of clients and earns more than she could ever have as an employee.

“You need to have a healthy, honest, and humble assessment of your own capabilities. My husband and I knew that our salaries alone would not be

enough to start a family and live in the way we wanted. Being able to work closely with our mentors helped us realize how much we still had to learn and when we were ready to go," she said.

Another example of a person who successfully turned her side-hustle into her main source of income is Ciel, a pastry chef for a local airline. As a hobby, she also baked and sold one or two cakes a week to friends and family, which gave her extra income. When the pandemic struck in 2019, the airline's operations were reduced, and her hours and pay were reduced to less than half.

Luckily, in 2020, she struck gold when she found a market for beautifully designed cakes. She created a social media account to post photos and testimonials of her cakes, and within a few weeks, she was selling at least one cake a day. Her cakes cost between PHP 1,500 to PHP 2,200 with an average net profit of PHP 700 per cake. Soon, she was having to turn down orders because she only had one stand mixer and was using her existing oven and family refrigerator.



She decided to apply for a small business loan of PHP 250,000, so she could buy a refrigerator just for her cakes, another stand mixer, and an industrial oven. This scaled up her small cake business, which allowed her to sell up to 5 cakes per day. In a few months, she averaged 80 cakes per month and sold 127 by December. She later decided to leave her job and now bakes full time.





# Shortcut

**HERE'S EVERYTHING  
WE'VE COVERED SO FAR.**

- Increasing savings to allow you to build extra income to invest can be challenging.
- It is important to find ways to grow your income streams to help you meet financial goals and put you in a better position for the long term.
- As technology and market changes are making some jobs obsolete, upskilling can jumpstart your career or even keep your skill sets relevant to the times.
- Finding a healthy balance between work, family, and your own personal and financial well-being is essential.
- There may come a time when your side hustle becomes your main gig, and you can truly become your own boss. But first, learn how to balance your day job with a side-hustle.

READERS' SECTION

# Mapping Your Side Hustle Potential

You may have some talent, skill, hobby, or resource that may be useful not just for yourself but for others as well. Why not make a bit of extra money from it?

1. List down the things you love to do or are good at that you think people would be willing to pay for.
2. See how much you think you should charge for it and how often you can do it in one month.
3. Add it up and see how much more you can make from these set of skills or hobbies.
4. Create a weekly calendar to see where you can slot in your side hustle with your day job and your personal life.



Talent/Skill/ Resource	Output	Fee	Frequency
<b>Example</b>			
1. Photography Have a DSLR and basic lighting equipment.	Portrait shoots	₱ 10,000/day	Saturdays only
2. Writing and editing Owns a computer with office software and stable home internet connectivity.	Blog writing	₱ 3,000/draft	Mondays to Fridays
3. Loves dogs. Lives in a home with helpers and a garden.	Home-based pet sitting/walking	₱ 300/hour	Mondays to Fridays

	Monday to Friday	Saturday	Sunday
Morning	Day Job	Project: Video editing	Rest
Afternoon	Day Job	Project: Wedding and reception photography (12 PM - 6 PM)	Church
Evening	Pet sitting (Thursdays and Fridays, 6 PM - 8 PM)	Rest	Rest

**\*Disclaimer:** The fees in the table are just examples, so they don't accurately reflect current market conditions.

JOURNAL

# Do you think you're ready for a side hustle?

Let's pause for a while and reflect on what we've just learned. Use the space below to write your answers. There are no right or wrong answers.

What are things that you love or are passionate about that you can earn extra income from?

Will my day job and lifestyle allow me to have a side hustle or to upskill?

Am I spending my free time wisely?



*Your task is not to foresee the future,  
but to enable it.*

- Antoine de Saint-Exupery

CHAPTER 12

# **Planning for Life Milestones and Retirement**



## What you will learn from this chapter:

- How to define life milestones
- Why you need to be ready to retire
- How to plan for your retirement
- A word on estate planning



You've learned how to boost your passive income through side hustles, and upskilling to help you move up in your career. By now, you already know your risk profile and your legitimate and regulated investment options. Next, we're diving into an important aspect of your financial journey: planning for your life milestones, specifically your retirement.

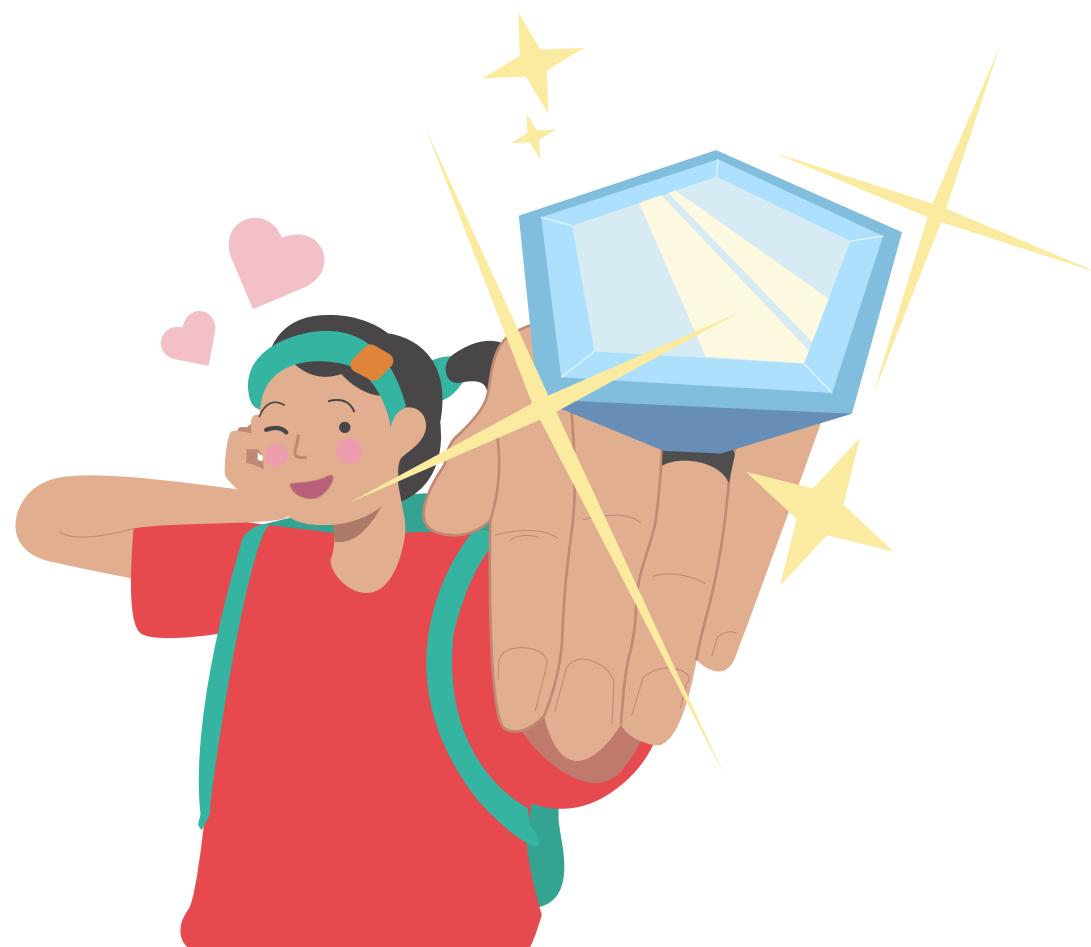
Life milestones are important events that you'd want to be ready for before they even happen. So, when you are aiming to achieve good financial health, you need to prepare for these life milestones.

What are life milestones? Here are the more common ones that Filipinos deal with in their lifetimes:

**Getting an education.** Be it a college and or a master's degree, getting education for yourself or your kids entails a budget that covers tuition, miscellaneous, allowances, and other related expenses. How do you plan to fund this milestone?

**Landing your first job.** Before you start working, you may need to move to a new place closer to your office, rent an apartment, or if you can afford one, buy a new car to take you to work and home. This milestone requires preparation.

**Getting married.** When you decide to tie the knot, you need to budget for a wedding and life as newlyweds after the wedding. So you need to prepare a budget for raising a family too. One tip is to decide whether you need to have a joint



account once you decide to live together. What's your plan?

**Buying or renting your first home.** Even before you decide to get married, you may want to start planning to either buy or rent a house. So, knowing your budget, including how much can you save for a down payment or set aside for a monthly rent, should all be part of a plan.

**Having kids.** Growing the family requires adjusting your household budget. For one, you need to save or invest for their education. In the short-term, you will need to spend more to make room for the baby.

**Planning for your retirement.** Everyone wants to retire comfortably. Preparing for that last mile of your life means saving up and finding sources of income that funds your lifestyle when you stop receiving salary after you stop working.

For some, other people's life milestones become your own milestone. For example, you need to save and plan for the education of your younger siblings, particularly finding additional income

to fund their tuition and other expenses.

You may also need to plan ways to boost funds for your aging parents, as part of your life milestones.

Therefore, these life milestones require a deliberate plan. They are like financial goals that you need to accomplish at a certain stage of your life or when you think you are ready. It's not necessarily dependent on your age.

Also, every life milestone comes with a price tag, which you need to prepare for, so it becomes achievable. You need to know how to get there.



## Preparing for a Life Milestone

**ARE YOU READY FOR YOUR RETIREMENT?**

**R**

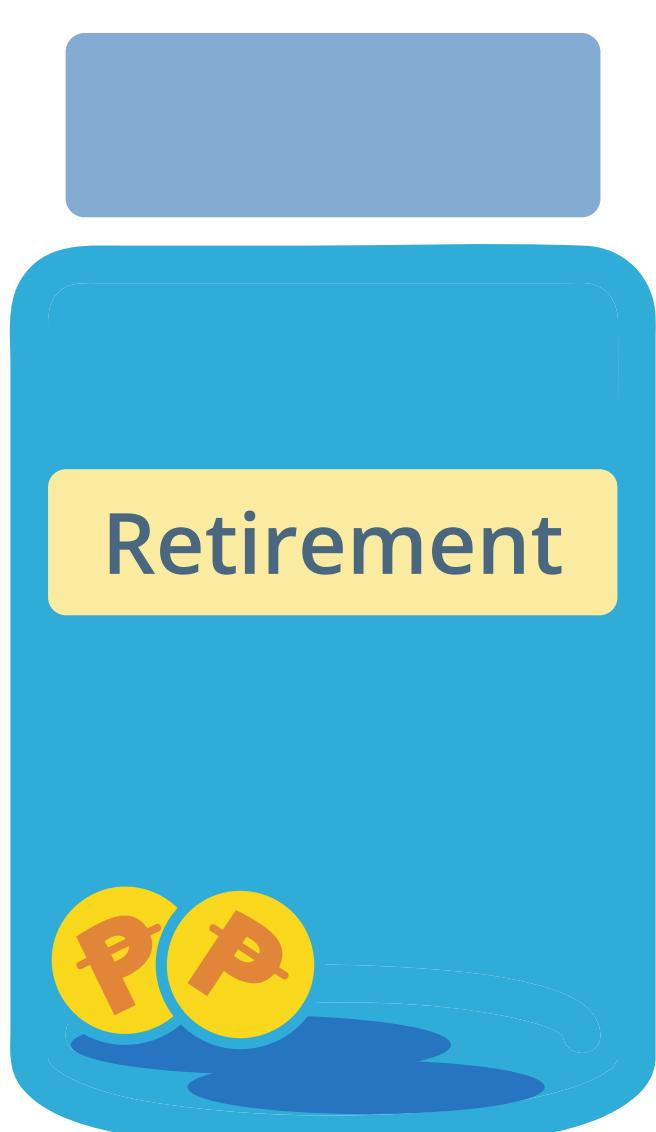
emember that from previous chapters, preparing for life milestones starts with a budget. In your monthly budget, a portion of your monthly budget goes to “savings,” which in turn a portion goes to investments. Now, when do you start saving money for your retirement? The rule of thumb is that the sooner, the better.

Life milestones are triggers for you to start budgeting. So, when you and your partner decide to get serious and be married, say, two years from now, this prompts you to create a line item on your budget that says, “wedding fund.” In this instance, you estimate a doable budget and start working your way backwards and determine how much you should save in the next two years.

Note that working hard and saving up for retirement is not wrong. However, if your retirement planning revolves around saving money only, your plan is incomplete. Money you saved can lose its “buying power” over time due to inflation. So, if you want to build a retirement fund, for example, you need a concrete, doable, and future-proof plan.

Many Filipinos, however, think that building a retirement fund is something that “only the rich can afford.”

That is wrong. This may be the perception since a huge number of Filipinos nearing retiring age—between 50 to 60 years of age—**feel they are not financially prepared.**



One [recent survey](#) even showed that many are not too optimistic about retirement because they believe they will be working beyond the age of 60 or 70 years.

For most of Filipinos, retirement funds come from government. Each Filipino who earns a salary are mandated by law to contribute a monthly amount to the Social Security System (SSS), the Government Service Insurance System (for government employees), and the Pag-IBIG Fund.

Government pensions, however, are not enough for Filipinos to retire on. SSS pensioners receive between PHP 4,000 and PHP 20,000 a month, depending on how much they have contributed while they were working, [according to this report](#).

Government pensions are also given to retirees in fixed amounts depending on their contributions. With inflation, your buying power would likely be lower in the future, which will not be enough for a nest egg come retirement.

It is also not surprising how Filipinos feel about retirement. The Philippines was among those ranked at the bottom in terms of retirement

systems, according to a global pension index. In 2019, the country was ranked 34th of the 37 countries in terms of retirement income systems. In 2022, the Philippines was ranked 36th.

So, you need to start planning now, and not tomorrow. The longer you postpone planning for your retirement, the harder it gets to save and build enough funds to sustain you after retirement.





# Planning for Your Retirement

**HOW TO PREPARE AS A FILIPINO.**



ow do you prepare for your retirement? There are many ways to plan your retirement, just as there are different strategies to, say, invest.

Also, your understanding of the concept or even the very definition of retirement may be different with other people. Some say that they won't

retire, as they continue to practice their profession as a consultant or as a part-time. Some just adopt the term “semi-retired” once they reach their golden years.

Semi-retirement is a pre-retirement option when you decide to slow down but you still are able to do some work to provide yourself some income because you cannot fully support a full retirement, which to some is equal to a total absence of work.

For others, semi-retirement means cutting back on the hours devoted to working in a corporate career and shifting that time to managing or running a small personal business at their own terms. At some point, the plan is to stop working when the retirement income can support their lifestyle.

Despite differences in how you define retirement, there are common principles that you should consider before you retire.

It starts with determining your lifestyle after retirement. Paint a picture of life after retirement. What would it be like? Just because

you're retired, it doesn't mean that you no longer need to look out for your financial health. You also need to identify other sources of income to enjoy life without an active income like a salary.

Next, calculate how much income you need to retire. Do the math. Note that there is no magic number to how much money you need to retire. There are several factors you need to consider: your current income, the kind of lifestyle you want, or even unforeseen events like an illness or medical expenses that can disrupt your plans. Of course, inflation is a huge factor in the way you plan your retirement.

One approach, called the **"25x rule,"** works by estimating the annual retirement income you expect to get from your own savings and multiplying that by 25. The total will indicate the amount you need to live comfortably in the next 10 years after retirement. Here's an illustration:

Annual gross retirement income	Annual gross income multiplied by 25	Annual gross income after retirement (with inflation)
<b>Example</b> ₱ 600,000 (₱ 50,000/monthly)	₱ 15,000,000	₱ 1,500,000

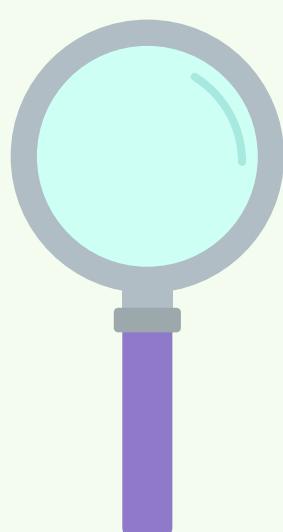
In our example, let's assume you decided on an annual gross retirement income of PHP 600,000 or that is about PHP 50,000 monthly gross income. In this example, PHP 180,000 or 30% of your income should be covered by your savings, pension, and possibly a part-time job, and the remaining PHP 420,000 by investments. According to this approach, you need to save at least PHP 1.5 million to be able to withdraw around PHP 420,000 of your annual earnings in your first year of retirement. As to the question of when to retire, if you're using this 25x rule, this assumes the year when you decide to stop working.



Another approach is called the **“4% rule,”** which estimates how much nest egg you need by the time you retire. Based on this rule, you note down your monthly income then multiply that by 12 to show your income for the year. Then, divide the annual income by 4% to determine the nest egg you would need by retirement.

Monthly gross income	Annual gross income	Nest egg by retirement (with factor of 4%)
Example ₱ 50,000	₱ 600,000	₱ 15,000,000

Based on these calculations, you would roughly need PHP 15 million by retirement to keep your lifestyle in the next 30 years. This rule also suggests that by year one of your retirement, you can use 4% of your nest egg, and adjust the percentage subsequently by the rate of inflation. This rule, however, is not written in stone, as future inflation rates can possibly eat up your retirement fund in less than 30 years.



## NEST EGG

It is a sum of money saved for the future, in this example, for your retirement.

Another approach looks at 80% of your current income should cover for your retirement income and your living expenses. Again, take inflation into account when computing for the total retirement fund.

Monthly gross income	80% of current gross income	Nest Egg (Annual Retirement Gross Income)
Example ₱ 50,000	₱ 40,000	₱ 480,000

All these approaches are suggestions by different financial planners. Also, these calculations are not meant to cause you anxiety. Note that your current income fuels your lifestyle and your dependents (which includes your immediate family, siblings and parents). When you decide to retire, you will need less money to support your children, as they will be independent and working, earning their own income. When you retire, consider adopting a simple lifestyle so that you spend less on mortgages and other “wants.”

So, the best way forward is to still talk to a personal finance expert on how to do the math.

After doing the math, you now need to determine your retirement age. Among government employees, retirement age is from 60 to 65 years. For those working in private companies, the retirement age starts at 55 to 60 years. Knowing

this allows you to plan ahead and start building your retirement fund. Some apply the “20/20 rule.” This means if you want to retire by 55 and hope to live for another 20 years, you need to start building your retirement fund at age of 35. The financial goal here is to save as much, and to start early with saving and investing.

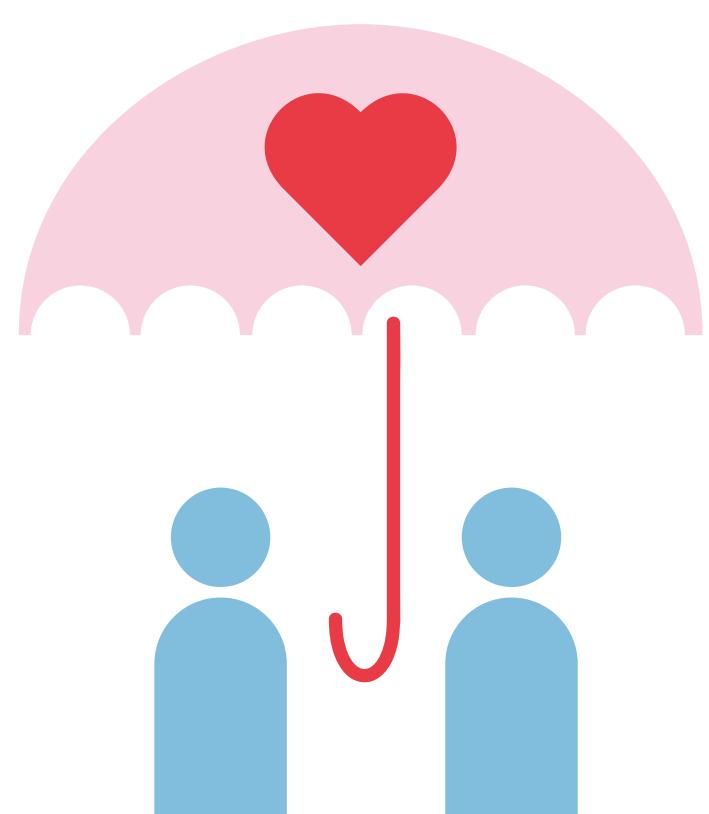
Now that you have an idea how much retirement fund you need to raise and when can you start doing it, it is time to figure out sources of income to support your retirement lifestyle. You can start with these government-managed retirement funds or pensions.

- The Social Security System (SSS) and the Government Security Insurance System (GSIS) offer ways to build pension funds. SSS works for people working in private organizations, while GSIS is for those in government. Both are part of a monthly salary deduction done automatically by your company or government. So, you have this as one source of funds for retirement. This source may not be enough, though. So, consider this as just one of several sources.

- Pag-IBIG, another government agency, offers the **Modified Pag-IBIG 2 Savings (MP2)**, which is a type of time deposit that can help you save and earn from your money after 5 years. It's one of the more accessible and stable way to make the most of your money, especially as a pensioner. Fact: returns on MP2 are from Pag-IBIG's own earnings from housing loans, and that these returns are tax-free.

You can also consider the Personal Equity and Retirement Account (PERA) account, which you can create through local banks. PERA is a voluntary retirement account that you can set up before you retire. Some private organizations offer PERA accounts for employees, but you can also set one up for yourself.

**Another consideration to have is health insurance.** With health insurance, you don't only protect yourself and your loves ones from unexpected events, but you will have money to protect you from unexpected events after you retire. If you decide to continue paying a premium after retirement,



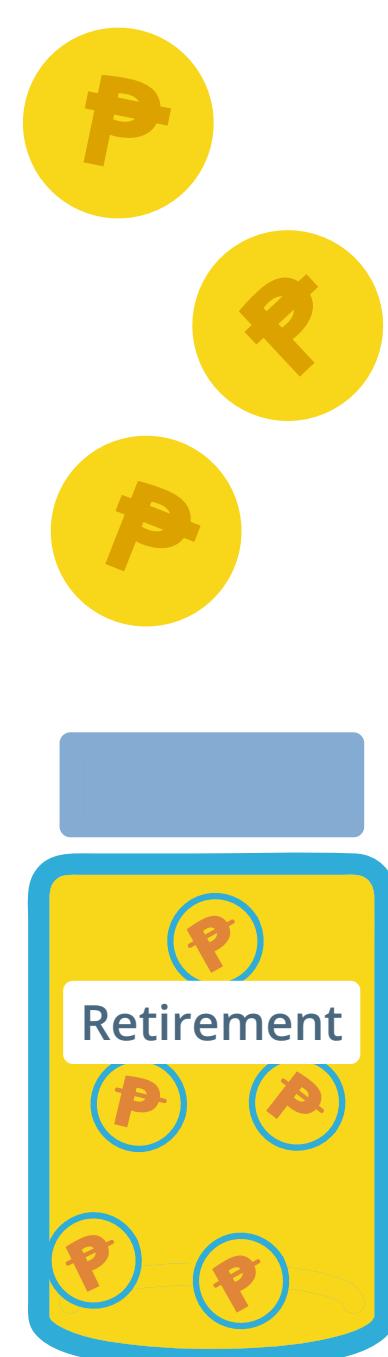
health insurance covers medical emergencies and even unexpected illnesses. Some health insurance types even offer payouts after you retire. So, it's recommended to have some form of health insurance before you reach the age of 60 years because premium gets more expensive. Some health insurance coverages are not available to those whose ages are beyond 70 years.

**Boost your retirement fund through investments.** Investing is one of the more effective ways to build your retirement fund because of the magic of compound interest. Recall that compound interest happens when you start earning interest on your principal amount plus interest. Investments also help you address inflation. So, what kind of investments can you consider:

- **Unit investment trust fund (UITF)** is one investment for building a retirement fund. This investment option comes with higher long-term growth potential than, say, a typical savings account. It also offers lower risk compared to an investment in the stock market.

- **The stock market is an investment option** that offers better potential for high returns. But if you're retired, go for more conservative or reputable stocks. Speak to a financial advisor about investing in well-established companies in the Philippines.
- Depending on the location, type of property, and other factors, you could earn high returns from investing in **real estate**. However, this is a riskier option, so only consider this if you have some capital that you are willing to lose.
- **Real estate investment trust (REIT)** is also an option since this combines the earning potential of stocks and the regularity of income from bonds, while making money from income-generating real estate properties without having to break the bank.

Now that you have an idea how much retirement fund you need, you can start saving a portion of your income to build your retirement fund. The sooner you can save, the more you can save. Meanwhile, it is also important that you set aside money



for emergencies (remember, your emergency fund), so you do not drain your savings when unexpected events happen. You want to avoid unforeseen events from draining your savings, which would force you to spend your retirement fund.

Building a retirement fund is critical if you expect to live a blissful and worry-free life after retirement. However, many look to their children for financial support when they retire—a practice that is common for a country that has strong family-oriented culture.

So, relying on your children for financial support when you retire should not be part of your retirement strategy.

Finally, retirement also means living a healthy life. Your physical, mental, and financial health will determine the quality of your remaining years of life. If you are always sick or are spending your money on medical bills when you are retired, this would put a drain on your savings, emergency fund, and eventually your retirement fund. So, exercise, eat well, and invest in making sure you enjoy life in your golden years.

# Know These Retirement Myths



## The cost of living for retirees is lower.



Since their children are already independent and they are more likely spending less on mortgages and other “wants,” retirees may still spend on medical maintenance cost and other household expenses.



## Retirees do not need to find work.



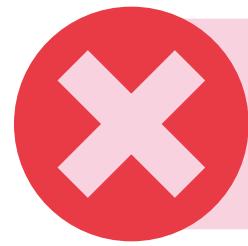
Many retirees are still physically and mentally capable of handling complex tasks. Many companies can still hire retirees based on their skills.



## Retirees cannot get loans.



There are multiple financial institutions that can still offer loans to senior citizens, though others could be higher.



## Retirees cannot invest anymore.



There are no age limits and reasons to invest. Even senior citizens can invest so long as it is within their financial capacity and fits their lifestyles.



## It is the children's turn to take care of retirees.



Parents should not always rely on their children to fund their retirement, who may have difficulty building their own retirement fund, let alone their daily expenses.



# Learning the Basics of Estate Planning

**WHAT IT IS ABOUT ESTATE PLANNING  
THAT YOU NEED TO UNDERSTAND.**

**N**o discussion about retirement is complete without mentioning estate planning. Before you think this doesn't apply to you, know that everyone can plan their estate, and you don't need millions of pesos to have one.

Your estate consists of everything that are under

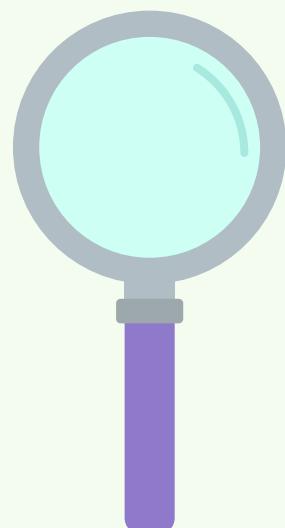
your name: your home, checking and savings account, life insurance, furniture, car, vehicles, small business, and everything else. No matter how large or modest your possessions are, they make up your estate. When you retire, you must take the steps to plan your estate so that you know who gets what and what goes where.

You must do this as early as possible so that you pass along your estate as seamlessly as possible and pay the least amount of taxes, legal fees, and court costs.

So, how do you get started? Well, every estate plan begins with a will or a living trust. These financial tools detail how your estate will be distributed to your relatives or chosen beneficiaries.

## WILL

A will is a legal document that contains instructions on how your property and assets are distributed upon your death.



## LIVING TRUSTS

A living trust is a legal arrangement that assigns a trustee—a bank, for example, to take care of your assets while you are still alive and after you've passed.

It is not required to have both a will and a living trust, but it's recommended that you do have both. Having a will is enough to make sure that all your assets are distributed properly after your death.



In the Philippines, your estate automatically passes on to your legal partner or children without a will. This is under the Civil Code of the Philippines. However, if you have a will, you can decide on how your estate will be divided. This is especially important if you have a common-law husband or wife or natural children. Without a will or living trust, your money and everything you own may not be given to your natural children or common-law spouses, unless they go to court, which may be expensive.

You also should consider having a will or living trust if you have jointly owned properties or businesses, for example, a small business or even a joint bank account.

All jointly owned accounts will automatically go to

your business partner if something were to happen to you. However, if you want to assign someone else to handle your assets, you must have a written and notarized legal document that states how you want your assets to be distributed.

You can start drafting your will right now, even without a lawyer. To make it legally valid in any court, you should write it in your preferred language and have least two people to serve as witnesses. You should also sign each page with your name and signature.

Local banks now offer estate planning services. So, you can ask your bank on how to go about doing estate planning.



# Shortcut

**HERE'S EVERYTHING  
WE'VE COVERED SO FAR.**

- It's important to know what your life milestones are so you can be ready when it happens.
- Retirement is the most common life milestone. Regardless of who you are or what you do, you will retire at some point.
- Not all Filipinos are ready to retire because they see themselves working beyond their golden years.
- You need to build a retirement fund sooner than later and not rely on your children to support you in your golden years.
- A retirement fund is a combination of savings, pension, acquired assets, such as land other properties, and investments. The earlier you start building it, the less worry you have after you decide to retire.
- Retirement will mean different things for different people but you need to visualize the lifestyle you want when you retire.
- Take things one day at a time and speak with your financial planner about the best ways to build your retirement fund.

READERS' SECTION

# Picture How Much

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## It Costs to Retire

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Let's play a fun game on how much money you should have for retirement. Remember that there is no specific amount that you need. This amount can be more or less, depending on your own personal needs and intended budget. Nevertheless, this may help give a ballpark figure on how much you should have. Let's try the "4% rule" to see how much of a nest egg you would need.

**Example**

What is your estimated monthly retirement income?

₱30,000

**Example**

What is your estimated annual retirement income?

₱30,000 x 12 = ₱360,000

READERS' SECTION**Example**

To determine your nest egg after retirement,  
divide your est. annual income by 4%

$$\text{₱}360,000 \div 0.04 = \text{₱}9,000,000$$

**Example**

The amount you need to save up and invest on  
to keep your lifestyle after retirement

**₱9,000,000**

Now, try it yourself:

What is your estimated monthly retirement income?

READERS' SECTION

To determine your nest egg after retirement,  
divide your est. annual income by 4%

The amount you need to save up and invest on  
to keep your lifestyle after retirement

JOURNAL

# Are you ready for life ahead?

Now that you've reached the end of this book, you have learned how to make better financial decisions, so that you can live life with more confidence and ease.

For your final reflection, answer these three questions:



What life milestones am I planning or expecting to achieve?

How am I planning for these life eventualities?

What can I do today to strengthen my financial resiliency?

JOURNAL

Don't feel bad if you don't know how to answer reflection points 2 and 3, either. The path to financial health and eventually to financial resiliency is a journey that we all should take. You'll stumble and make mistakes from time to time. What is important is that you learn from these mistakes and keep moving forward.

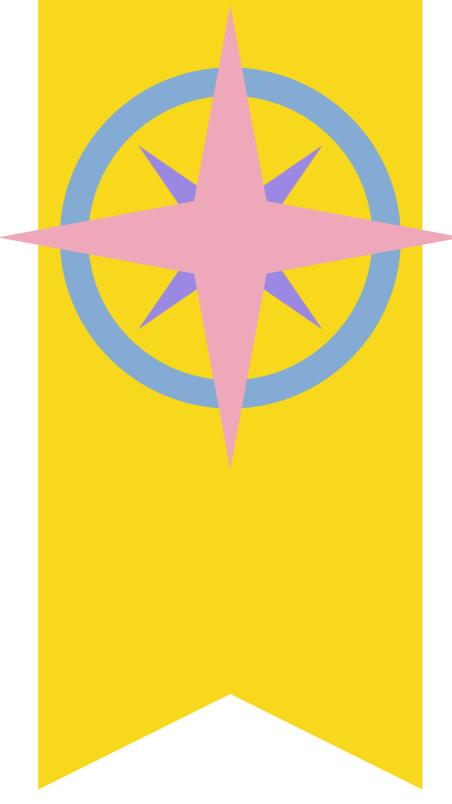
Your financial journey will look different from the rest, but it is just as beautiful and as awesome as all the rest.

*Editor's Note: Now that you're at the end of this book, we thank you for taking the time to read each chapter that we released. We hope you learned a few things from each topic that we tackled and accomplished the exercises provided. If you think there are other topics that we haven't touched on, please do let us know and drop us a message at [earnest@metrobank.com.ph](mailto:earnest@metrobank.com.ph) or scan the QR code at the end of this book to answer our survey. Once again, thank you for allowing us to be the good hands to help guide you in your financial journey.*

We would like to hear your thoughts.  
Help us improve Earnest  
by answering this survey.



Thank you!



# Glossary

YOUR EASY GUIDE TO FINANCIAL TERMS

Throughout the book, you are alerted to personal finance terms. We kept the definitions simple, easy to remember, and hopefully, fun. So, to keep you informed of these terms, we've put them together in this glossary. Let's start reading! We are organizing them alphabetically, so you find terms easily.

## B

### **Budget**

A budget is a spending plan that defines how much of your income is allocated towards expenses, savings, and investments over time.

### **Buying Power**

Also known as purchasing power, it is the amount of money or value of money that can buy goods or services. This can change over time due to inflation.

## C

### **Capital**

Capital refers to the financial resources or assets

that can be used to generate income.

## **Collateral**

Collateral is an asset or item that you own that a lender accepts as security for letting you borrow money. If you are not able to repay, the lender takes the collateral as payment.

## **Compound Interest**

It is about earning interest on the money you have earned through interest. It makes your money grow faster the longer you keep it invested.

## **Credit Score**

A credit score is a system used by banks and lenders to help them decide whether you qualify for a loan or a credit card. Several factors are considered including your loan payment history, your current debts, your available cash savings, among others.

## **D**

### **Debt**

Debt is money that you borrow and repay later. It is often associated with loans or credit that are used to purchase things you could not afford under current financial circumstances.

## **Debt Burden Ratio**

The debt burden ratio or DBR is your total monthly loan payments divided by your monthly income. It is expressed in percentage. The higher the DBR, the less your financial capacity to pay for additional loans.

## **Default**

A default happens when a borrower stops paying debts due to lack of funds.

## **Digital Bank**

A digital bank offers financial services just like a traditional bank, but exclusively online or via mobile apps.

## **Dividends**

Dividends in savings accounts are like interest payments. They are portions of the profits shared by a company or an institution with stockholders every quarter or every year.

## **E**

## **Emergency Fund**

An emergency fund is money you save that is accessible and secure for those unexpected events and financial emergencies. This fund should match the total amount of your living

expenses for 6 to 12 months if you are single—and 12 months to 2 years, if you are married.

## F

### **Fiat Money**

Fiat money is issued by the government and is not backed by a physical commodity like silver or gold.

### **Financial Health**

Your overall financial health hinges on how you manage your money. This includes how you budget (save and spend), how you invest, how you insure your assets, how you plan your retirement, and other financial components in your life.

### **Financial Wellness**

Financial wellness is your overall emotional state about your financial situation—that is, your money relationship.

### **Foreclosure**

Foreclosure is a form of repossession but is used to refer to a defaulted or unpaid home loan.

## G

### **Guarantor**

A guarantor is another individual that promises to pay back a loan if the original borrower fails to pay it back.

## I

### **Inflation**

Inflation is the general increase of prices of goods and services over time, which affects the purchasing value of money.

### **Insurance**

Insurance provides financial support to people covered by it when unexpected events, such as illness, natural calamities, accidents, or death-happen. Financial support may come as reimbursements from the insurance company, which pays the costs of these unexpected events.

### **Interest**

An interest is the amount of money a bank or a financial service pays a depositor for keeping money in its facility. A bank borrows the money from the depositor for loans to other customers.

## L

### **Loan**

A loan is money you borrow that comes with interest.

## M

### **Maturity Date**

A maturity date refers to the time when you can

withdraw your time deposit without penalties.

## **Mortgage**

Mortgage, also known as amortization, is a type of loan where a borrower agrees to repay a lender in regular schedules.

## **Multi-Factor Authentication**

This is a digital security method where you are given access to a website or application only after supplying at least two pieces of evidence or factors of your identity to prevent fraud.

## **O**

### **One-Time Password**

One-Time Password, also known as OTP, is a password that is used only once to authorize an online transaction or log-in activity. They are sent to your registered mobile number or email address to verify your identity.

## **P**

### ***Paluwagan***

*Paluwagan* is a Filipino financial term that describes an informal form of saving and lending. It requires a group of people contributing a fixed amount of money into a pool of funds based on an agreed schedule. The pooled money is then

given to a member of the group who acts as the collector or the manager of the funds. Any member can then borrow money from this pool of funds.

## **Pension Fund**

A pension fund is a pool of savings collected by an employer or a government agency during the working life of individuals. It is often regarded as retirement fund for the employed because it gives regular payouts soon after retirement.

## **Q**

### **QR Payment**

Quick Response (QR) payment is a digital payment method that requires the payor to scan a QR code or a square-shaped barcode instead of typing in the payee's account name and number.

## **R**

### **Repossession**

Repossession is the act of retaking possession of a home or car bought through a loan after missed payments.

## **Risk**

A risk is any uncertainty you have with your investment that will negatively affect your original investment, which also means losing money.

## **Risk Profile**

A risk profile indicates how much risk you are willing to take with your investment.

## **S**

### **Surety**

A surety is common in loan contracts. It involves an individual who promises to take responsibility for someone else's debt. So when you take on a loan, the lender may ask for a surety to also sign the loan agreement. If you can't pay back the loan, the surety will have to pay instead.

## **U**

### **Usury**

Usury is the practice of charging interest rates on a loan that is higher than the limits set by law or government regulators.

