**"3-minute Concept" Animated Video Clips Series:**

**Personal Resource Management: Managing Finance**

**Subtitles**

3-minute Concept **Personal Resource Management: Managing Finance**

Life and Society (Secondary 1-3)

Personal, Social and Humanities Education Section

Curriculum Development Institute

Education Bureau

HKSAR Government

Managing finance refers to planning and managing wealth.

However, before talking about “managing finance”, one must have accumulated wealth in the first place. So saving is very important. When there is income, for example, when you receive pocket money, it is best to develop the habit of “saving before spending” and practise saving.

When we practise saving, apart from comparing prices before purchasing, it is more important to figure out if there is a genuine need for an item. Simply put, we can divide the items we want to buy into two categories: “needs” and “wants”.

Before purchasing, we have to arrange the priorities by putting things we need before things we want. However, we can still buy items we “want”. We can see them as rewards which will motivate us to work hard to achieve them.

Before purchasing some non-essential items, it is good to give yourself a cooling-off period, say one month. After the cooling-off period, you may buy the item if you are still keen to buy it. This practice will help reduce waste.

Also, we can keep a record of our income and expenditure, which will tell us the proportion of spending on items we need and that on items we want. Such a practice will remind ourselves to avoid impulsive purchasing.

On the whole, we should rank the items we want to buy by priority, and make choices according to our budget. This will make it easier to achieve our savings goals.

If there is not enough money, some people may choose to borrow. However, interest is charged on a loan. When we put money into a bank, the bank will pay us interest as if we were lending to it, so there will be interest income. In real life, interest is very often calculated at a compound interest rate.

Albert Einstein once described “compound interest” as “the eighth wonder of the world”.

What did he mean by this? For example, suppose the annual rate of return on investment is 5%. If you start saving or investing $200 per month at the age of 15, you can get back more than $500,000 at the age of 65. If you start at the age of 55, you will only get back about $30,000. Even if you start at the age of 25, you will only get back about $300,000 when you are 65 years old.

There is a big difference between the figures. No wonder Einstein was amazed at the snowball effect of “compound interest”. So it is good to start saving or investing as early as possible.

On the contrary, if you borrow money from others, you must pay attention to the power of “compound interest”. For example, if you miss credit card payments, the annual interest rate can be more than 30%. The cumulative effect of “compound interest” can greatly increase the amount owed, so we should avoid missing credit card payments.

Students should pay attention to the fact that borrowed money must be repaid. Repayment of any loans plus the interest charges will be deducted in the future income. So we should not borrow money casually.

The best investment is to invest in yourself. Just think about it, the knowledge you have learned cannot be taken away and can be used for a lifetime. The sooner you start learning, the sooner you can enjoy the benefits of the knowledge gained!

Reflection Question

Green consumption is increasingly popular. Would you like to try green consumption?