

FINANCIAL PLANNING AWARENESS AMONG HOUSEHOLDS

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ABSTRACT: *This study evaluates the level of financial planning awareness among household in Cantilan, the second northernmost municipality in the province of Surigao del Sur, Philippines. This study intended to determine level of financial planning awareness among the households in terms of budgeting on food, clothing, medicine, education and savings. Based on the findings, the level of financial planning awareness in terms of household budgeting on food is very often observed. Majority of the families often spend on what has been budgeted in food. Most of the families often buy clothes only when needed and with lower price. Household budgeting on medicine is very often observed. Respondents always buy generic medicine because it is affordable. Household budgeting on education is very often observed. Most families are concern with the education of their children. The level of financial planning awareness in terms of household savings is sometimes observed. Therefore, there is a need for financial education. Financial education programs to be more effective should be designed to the needs of the recipient. Furthermore, financial planning should be inculcated to the minds of every household in terms of budgeting and savings as a tool to improve the life of every individual and eventually helping the economy to progress, as a whole.*

Keywords: Financial Planning, Spending, Household

1. INTRODUCTION

Financial planning is a way to achieve one's desired goals in life through managing properly his finances. Goals may include having a house, buying a car, your family's exposure to unexpected events like death, illness or disability, getting an educational plan for your daughter's or son's higher education and even setting a retirement plan. This process enables an individual to see his current situation, what he wants to be in the future and what should he do to attain his goals. Every household should take the right direction in order to come up with a sound financial decision. Managing one's finances involve putting appropriate drives in place to protect one's family, thinking about saving money, spending money wisely.

A financial plan sets out as a guide for every individual to be financially stable. For households this will help them to be aware of how to manage their income so that it will cover their expenses without incurring debt. It may be a challenging task for some but this will be a stepping stone towards alleviating the lives of many people in the country to combat the global financial crisis.

A household member that is aware of his finances contributes much to the progress not just for his family where he belongs but also to the economic development of his nation. Through budgeting, one can determine exactly where his money goes. It will help him evaluate his income and subsequently his expenses. In so doing, instead of spending money to buy unnecessary things, savings would be the option instead.

The main objective of the study is to know the level of financial awareness of every family in terms of budgeting and savings. Household financial management is important to financial success. It is the best way to help alleviate the financial status of the economy.

2. MATERIALS AND METHODS

This study aimed to determine the level of financial awareness of every family in Barangay Magosilom, Cantilan, Surigao del Sur, Philippines. Specifically, it sought to answer the following questions:

1. What is the demographic profile of the respondents in terms of:
 - 1.1 age;
 - 1.2 gender;
 - 1.3 marital status;
 - 1.4 no. of household members;
 - 1.5 income; and
 - 1.6 no. of dependents going to school?
2. What is the level of financial planning awareness of the households in terms of:
 - 2.1 Household budgeting
 - 2.1.1. food;
 - 2.1.2. clothing;
 - 2.1.3. medicine;
 - 2.1.4. education; and
 - 2.2 Household savings?
3. Based on the findings, what intervention program can be proposed?

This study used the descriptive survey method. A researcher-made questionnaire was used as the main instrument for data collection. Interviews were also conducted to answer clarifications, verify the answers of the respondents, and to solicit additional information.

The respondents of this study were the residents of Magosilom, Cantilan, Surigao del Sur. Respondents were selected through simple random sampling with the total number of participants to be determined using Sloven's formula.

In gathering data, researchers underwent some steps. First, they prepared a letter of request to be signed by the instructor and adviser asking permission from the participants to conduct the activity. Second, they distributed the questionnaires to the participants and let them answer the questions. Third, the researchers get the questionnaires and in every questionnaire there will be participants' signature, the name of participants is optional so it's either they will write their names or not. Last, the researchers gathered all the data and analyzed them properly.

This paper is anchored on the conventional microeconomic approach to saving and consumption decisions that a fully rational and well-informed individual will spend less than his

income in times of high earnings, as a result saving to support consumption when income falls.

The President Advisory Council of Financial Literacy in 2008 defines financial literacy as the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being.

Lusardi and Mitchell[1] defined financial literacy as the process by which financial consumers/investors improve their understanding of financial products and concepts, and through information, and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being”.

The global financial crisis in Russia (2008) led to an increased demand for consumer protection and financial literacy programs. The Global Banking and Finance Review (2010) stated that World Bank approved a very significant loan for the financial education and literacy project for the Russian Federation to improve financial literacy of the Russian citizens. According to the Eastern Family Economics and Resource Management Association (2006), financial institutions, the students, loan communities, financial professionals and educators have identified financial management education as a priority.

Based on study conducted by the research council of the University of Mauritius, financial illiteracy is not only a worldwide reality affecting all people. Mauritians had a medium financial knowledge about the debit/credit card theme, but relatively low levels of knowledge regarding savings and borrowings. Moreover, they were found to be financially illiterate in investment and insurance issues. There was a significant, but negative and fairly weak association with gender and financial literacy. With all the demands of running a family, it's hard to find time to make a household budget – especially if the amount of money left at the end of the month is less than you want. It's important to look household finances squarely in the eye, because that's the only way to control them; otherwise, they control you. Budget creation takes time, so set aside at least a few hours.

However, Huston (2010)[2] found it essential to measure financial literacy in order to understand educational impact and barriers to financial decisions. Rezak et al. (2007)[3] proposed that most managers and specialists in human resources discipline should be provided with business acumen training, though they do not possess financial backgrounds. This will help them in making confident and informed recommendations by managers.

In an article written by Maggie Spade-Aguilar, et.al states that basic family budget use a market-basket approach, they identify budget items necessary for a working family to maintain a safe and decent standard of living, then determine how much it costs to provide each item at an adequate level. Planning and monitoring your budget will help you identify wasteful expenditures, adapt quickly as your financial situation changes, and achieve your financial aims. When you actually see the breakdown of your expenses, you may be surprised by what you find; this process is essential to fully grasping how things can add up.

Based on the article on financial literacy by the Duke University, creating a budget will lessen your stress levels because, with a budget, there are no surprises. Unexpected car problems or medical bills? That dream vacation your best friends are planning? With a budget, you don't have to panic or wonder if you have the money—you already know. This sense of financial clarity is important not only in college, but throughout life.

According to Eric McWhinnie in his article, 3 Reasons Why You Should Save More Money, a survey from Ally Bank found that saving money is one of the best habits people can take to increase happiness. Among those polled with savings accounts, 38 percent of people said they felt extremely or very happy. In comparison, only 29 percent of those without savings accounts felt the same way. Overall, 84 percent of people said saving money makes them feel good — ahead of eating healthy at 74 percent and enjoying work at 68 percent. The more you save, the more likely you are to be happy. Of those who said they felt extremely or very happy, 34 percent had less than \$20,000 in savings, while 42 percent had \$20,000 to \$100,000 in savings. Furthermore, 57 percent who felt happy had \$100,000 or more in savings. “The connection between the size of your savings account and your level of happiness may seem obvious. But here's something that may surprise you: saving money actually affects happiness more than how much you earn, according to our survey,” explained Ally Bank.

3. RESULTS AND DISCUSSION

The profile of respondents in terms of age reveals that majority are 50 years old and above. As to gender, it shows that 82.5% of the respondents are female and 17.5% of them are males. Gender distribution indicates that males are outnumbered by the female respondents of Barangay Magosilom. Most of the respondents are married with a percentage rating equivalent to 84.7%. Majority of the respondents earn 20,000 and below every month with the percentage of 85.5 % and are minimum wage earners.

The level of financial planning awareness in terms of household budgeting on food reveals that majority of the families very often spend on what has been budgeted on food. They compared the price before buying it. Most of the families do not buy foods that are on sale. Based on the result, the grand mean is 2.52, signifies that the level of financial planning awareness in terms of household budgeting on food is very often observed. Based on the article written by Rebecca Webber[4], higher earning households, meaning those bringing in more than \$70,000 per year spend nearly three times as much on food compared to the lowest earning families with incomes under \$20,000. Wealthier families also spend a greater proportion of their income - about 45% - on food away from home, which includes restaurant meals.

Findings shows that the level of financial planning awareness in terms of household budgeting on clothing is sometimes observed. Majority of the families often buy clothes only when needed and with lower price. They do not buy clothes because it's a trend only. Among the basic needs of humans to survive, it is evident that in rural areas buying clothes is not a priority for the families. According to the article written by Samantha Kemp[5], U.S. Bureau of Labor Statistics,

research shows that as the first decade of the 21st century ended, annual spending on clothing in U.S. households had declined by \$174 over a period of five years. As of 2010, American families were spending -- on average -- \$680 per person on clothing. Clothes form an important part of your

image, but you also don't want to go broke trying to look good. Setting a budget can help you have the money you need to maintain a wardrobe without making a huge dent to your wallet.

Table (1) Level of Financial Planning Awareness in terms of Budgeting

Items	Weighted Mean	Verbal description
Food		
1. Spending on what has been budgeted on food.	3.20	Very Often
2. Listing all the foods before buying.	1.99	Sometimes
3. Buying foods only when needed.	3.14	Very Often
4. Comparing the price before buying.	2.83	Very Often
5. Buying foods in sale or promo.	1.44	Never
Grand Mean	2.52	Very Often
Clothing		
1. Spending on what has been budgeted on clothes.	2.42	Sometimes
2. Buying clothes only when needed.	2.91	Very Often
3. Use coupons and shop every sale.	1.36	Never
4. Buying clothes with higher quality but lower price.	2.64	Very Often
5. Buying clothes because it's a trend.	1.37	Never
Grand Mean	2.14	Sometimes
Medicine		
1. Buying medicine only when prescribed.	3.59	Always
2. Buying medicine even not needed.	1.85	Sometimes
3. Spending on what has been budgeted on medicine.	2.79	Very Often
4. Buying generic drugs only.	3.31	Always
5. Buying medicine in a sales agent.	1.79	Sometimes
Grand Mean	2.66	Very often
Education		
1. Paying tuition or miscellaneous fee every month as installment.	2.95	Very often
2. Buying school materials only when needed.	3.39	Always
3. Buying school materials ahead of time.	3.13	Very Often
4. Spending on what has been budgeted on education.	3.09	Very often
5. Giving a minimum amount of allowance per week.	1.86	Sometimes
Grand Mean	2.88	Very Often

For the level of financial planning awareness in terms of household budgeting on medicine, the grand mean is 2.66, which indicates that household budgeting in terms of medicine is very often observed. Buying prescribed medicines is always observed. Household budget on medicine is important to every family. Many of the respondents bought generic medicine rather than branded ones because it is affordable.

The level of financial planning awareness in terms of household budgeting on education, the grand mean is 2.88, which signifies that the level of financial planning awareness in terms of household budgeting on education is very often observed. Families are concern to the education of their children. For always, they buy school materials only when needed to keep their budget. Based on the research conducted

by the U.S. Bureau of Labor Statistics, the increasing cost of education has also raised concerns in the U.S., and indeed, households reported spending 35% more on it in 2013 compared to 2006. It's a sporadic cost for most households, required in years when children are school- or college-age, or when someone else is taking classes or getting a degree. Household reporting say they are paying an average of \$7,408 annually for it.

Table 2 shows the level of financial planning awareness in terms of household savings shows the grand mean of 2.05. This means savings is sometimes observed. Saving money is not a priority to the families because their income is not enough to support the needs of their household. As seen in the table, saving excess money on a piggy bank is never an option for them because their income is just enough for their basic needs.

Table (2) Level of Financial Planning Awareness in terms of Savings

Items	Weighted Mean	Verbal Description
1. Putting my excess money on my bank account.	1.79	Sometimes
2. Saving my excess money on a piggy bank.	1.45	Never
3. Lending my money with interest to those who need it.	1.39	Never
4. Saving extra money for emergency.	2.51	Very often
5. Leaving my excess money on my wallet.	3.14	Very Often
Grand Mean	2.05	Sometimes

4. FINDINGS AND CONCLUSION

Based on the analysis of the gathered data, the following are the findings in the research study:

1. Profile of Respondents

- 1.1. As to age, most of the respondents are 50 years old and above.
- 1.2. As to their gender, majority of the respondents are female.
- 1.3. As to their marital status, most of the respondents are married.
- 1.4. As to income majority of the respondents, earn 20,000 and below every month.
- 1.5. As to number of household members, majority have 1-5 members in the family.
- 1.7. As to number of the respondents' dependents going to school, it shows that most of the respondents have 1-5 numbers of dependents going to school.

2. Level of Financial Planning Awareness

- 2.1.1 The level of financial planning awareness in terms of household budgeting on food is very often observed. Majority of the families often spend on what has been budgeted to food; they compare the price before buying it. Most of the families also didn't buy foods that were on sale.
- 2.1.2 The level of financial planning awareness in terms of household budgeting on clothing is sometimes observed. Majority of the families often buy clothes only when needed and with lower price, and didn't buy clothes because it's a trend only.
- 2.1.3 The level of financial planning awareness in terms of household budgeting on medicine is very often observed.

All respondents bought medicine only when prescribed and they always buy generic medicine because it is affordable.

2.1.4 The level of financial planning awareness in terms of household budgeting on education is very often. Most of the families are concern with the education of their children. They buy school materials only when needed.

2.2 The level of financial planning awareness in terms of household savings is sometimes observed. As we can observed most of the families do not have a bank account where they can save their money. Savings isn't really important to the families because they have low income.

Based on the results, the researchers concluded that most of the families budgeted more with food, medicine and education. Families sometimes save money because their income is enough only for their basic needs. Therefore, there is a need for financial education. Financial education programs to be more effective should be designed to the needs of the recipient. Furthermore, financial planning should be inculcated to the minds of every household in terms of budgeting and savings as a tool to improve the life of every individual and eventually helping the economy to progress, as a whole. Every family should be aware where their money goes and avoid buying things that are unnecessary. They should save money.

5. REFERENCES

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