Financial Life Stages

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Anong pinagkakakitaan niyo?

- Salary
- Part-time work
- Over-time work
- Commission
- Kita sa negosyo na kayo ang nagpapatakbo

- Rent
- Interest (pautang savings deposit)
- Dividend o profit sharing sa negosyo
- Capital gains
- Royalty
- Pension

Anong pinagkakakitaan niyo?

Active Income	Passive Income
• Salary • Part-time work • Over-time work • Commission • Kita sa negosyo na kayo ang nagpapatakbo	• Rent • Interest (pautang savings deposit) • Dividend o profit sharing sa negosyo • Capital gains • Royalty • Pension

Active Income vs Passive Income

Active Income	Passive Income
• Income derived from labor or work • Primary income – main source of income such as salaries	• Investment income you earn even when you do not work • Income earned from assets, investments or both

Anong pinagkakakitaan niyo?

Active Income	Passive Income
• Fund basic **needs**	• Fund periodic **wants** and further increase investments

Need or Want?

Can I afford a PhP30,000 iPhone?

Need	Want
• Call and text • How much? - PhP5,000 from active income	• Internet connection, social media and other apps • How much? - PhP25,000 from passive income

- Create a portfolio that provides passive income of 25,000 per year
- If investment vehicle gives 5% annual return, the portfolio needed is 25,000 ÷ 5% = 500,000
- If you earn 50,000 per month and save 15% of your salary per month, it will take you 5.5 years to create the 500,000 portfolio.

I got my phone through a plan!

- A phone plan is a loan
- Buying wants using loan is the worst form of spending
- It makes you appear rich but in reality you are poor

$$\frac{\text{Monthly Passive Income}}{\text{Monthly Expenses}}$$

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$$\frac{\text{Monthly Passive Income}}{\text{Monthly Expenses}} = \text{Financial Life Stage}$$

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Financial Life Stages

Financial Life Stage	Passive Income / Expenses	Suggested Age
Start Up	0%	21-22
Independence	1% to 10%	23-25
Growth	11% to 25%	26-35
	26% to 50%	36-45
Stabilization	51% to 75%	46-55
	76% to 99%	56 - 65
Freedom	> 100%	>65

Features of Financial Life Stages

- Not about age
- You can regress
- Measured against ability to generate passive income to cover expenses

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