ANNUAL SAVINGS PLAN

To be financially competent means to possess the knowledge necessary to allow an individual to make informed and effective decisions with all of their financial resources. In improving your financial competence, utilising an annual savings plan can help in achieving your life goals. The primary principles of financial literacy include learning how to budget, track spending, effectively pay off debt, and properly plan for retirement.

An annual savings plan involves deciding how much money you would like to have saved at the end of the year, choosing a bank account for that purpose and making weekly or monthly contributions to that account to meet that annual target. For example, if you would like to have KES 200,000 saved by the end of December, you could decide to save about KES 4,166.67 every week or KES16,666.67 every month.

This fund could be savings towards a holiday, property purchase, rent, retirement, school fees, investments or other wishes . An annual savings plan isn't an emergency fund (an emergency fund is a stash of money set aside to cover unexpected and urgent financial requirements), this savings plan allows you to build your net worth and have a good base to start an investment portfolio.

It is important to keep a record of the target amount to be met, how often money should be deposited and how much should be deposited at every interval. Equally important is choosing the right kind of account to save it in. The account to be used for your annual savings plan should be one designed specifically to save towards a set goal which accrues credit interest on your savings and gives incentives for self-control.

The importance of saving money cannot be understated. With so many proven benefits, **saving money** is one of the best financial habits you can adopt and with continuous practice it can help you develop financial competence.