

4 Personal Finance Lessons from Monopoly.

1 Always keep cash on hand. If you have sufficient.

Cash flows, you may pay rent, pay for parking tickets, pay taxes, and even buy a property if you have sufficient cash flows. When it comes to personal finance, it is always suggested to maintain an emergency fund. An emergency fund is the amount of money you hold in liquid or cash equivalent assets to be used during an emergency. Although life often produces hurdles, it may not be necessary that things always go as per the plan. You may lose your job, or someone dear to you may get sick, and you may need to use some of the funds which you have accumulated to meet your life goals, like funding your children's education or perhaps your own retirement. Having a sufficient emergency fund (the suggested amount is 6-8 months) will prevent a significant dent in your financial goals.

2 Focus on Cash Flow.

This is very important to understand. It is absolutely necessary for you to know your cash flows well. Sometimes, while we are playing monopoly, our main focus is to gather properties of the same color, then build houses, and then build hotels. Like in the game, where we move on the board according to the number that

comes up on the dice, our life also moves on similar lines. We don't know what lies ahead for us. We may throw two sixes and may end up in jail too. Hence, it is very crucial for us to know where our cash flows well. We may be overspending on restaurants, but what we forget is that the same money can be used to fund any of our financial goals. That doesn't mean that we don't spend on entertainment, but not at the cost of achieving our goals. Creating a budget sheet will help us analyse where our cash flows are flowing. Whether there is more cash flowing in than flowing out or not.

4 Lessons of Personal Finance from Monopoly



3 Expensive assets are not always the best.

When we play monopoly, we tend to buy expensive properties or any of the utilities. because they fetch us hefty rent. But that may not always be true. For instance, if you have 3 less expensive properties of the same color, you may build houses or hotels on them. Buying all the expensive properties will cost a lot of money, and you may not be able to build a house or a hotel. It is true that when it comes to financial planning, always buying expensive assets or spending excessively might not help you manage your finances. Large assets not only require more cash flow, but their maintenance will also cost you a significant amount. Also, investing in assets that might give you more returns might expose you to a significant risk of loss of your capital. Hence, a risk-return trade off is necessary.

4 Be patient.

You have to always wait for your turn in the game. "Luck is the sum total of preparation and opportunity. When it is your turn to play, be very cautious. Impatiently trying to buy properties will not help you win the game as there are other players in the game too. You need to be patient. You have to wait till other players land on your property. You have to play wisely to accumulate all the coloured property so that you can build houses and then hotels. In the same way, you have to be patient in investing as well. Always stick to your plan. Asset allocation and asset rebalancing can help you reach your goal. Even if life throws a six or a one, it really depends on what your ultimate goal is.