CLASS X

HOME SCIENCE

UNIT VIII - MONEY MANAGEMENT

NOTES

SUMMARY

There are three sources of family income which can be described as the sum total of all the money received from their sources for a particular period of time. Incomes may be derived from the salary of a job, house rent, and interest on bank deposits and from the skills of members in the family. Facilities of rent free house, free medical facilities and free education can also be regarded as the family income. Thus family income consists of all the earnings made by all members of the family.

Family income may be successfully managed by planning, organizing, controlling and evaluating the use of all types of income. Three types of incomes are, (i) Money income, (ii) Real income, and (iii) Psychic income.

Money income may be in the form of wages, salary, interest, profits, rents, gifts, pension etc. which can be converted into goods and services required for daily living and a part of it can be put into savings and investment.

Real income is the flow of goods and services. Foodstuffs obtained from kitchen garden, use of the house, the automobiles and all the equipment and durable goods. Another important part of real income is the knowledge and services contributed by the family members especially the woman homemakers.

Psychic income is that flow of satisfaction that arises out of our everyday experiences derived largely from the use of money and real income and making for mental and physical well-being.

Each family has its own needs which are different from those of other families. How much each family spends on the items will depend upon a number of factors. They are, (i) The family income, (ii) Size of family, (iii) Age of family members, (iv) Place of residence, (v) Skills and (vi) Savings. Recording of expenditure is a must as it ascertains the exact expenditure on certain items and how much is left. However, all expenditure is to be spent within the limit of the income.

SAVING AND INVESTMENT

Savings do not accumulate automatically. While spending from the income, some part of it may be set aside for future use. The amount set aside for future use may be termed as savings. If the savings is accumulated, it can be invested for the benefit of the family. The family may purchase landed properties, flats, vehicles for the family's use or may be invested in the industries. On the other hand, the family may avail itself of the opportunities of the fixed deposit account, post office saving accounts, recurring deposits, life insurance schemes and provident fund (if someone is an employed).

Investment may be executed in the form of ownership investment, or credit investment to acquire more profit and interest. On the other hand savings or excess money can be used in purchasing credit bonds like Gift Edge Bonds, Low Grade Bonds etc., or shares can be purchased from different companies for earning more dividends and profits. If the members of the family are aware of the purchase of stocks in a company, they may invest in the current stock exchange. However, there is no fixed dividend for the business in the stock exchange. There are rises and falls in the stock market. Since there is no guarantee for a dividend in the stock market, it is better to avoid investment in this trade.

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