

Investing for the Children's Future: An Analysis on the Financial Stability of the Seafarers for the Formulation of a Financial Management Approach

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Abstract

Financial substantial support to families along with work plays an essential role in the framework of the seafarer's family financial management practices. It is a challenge to the families to save, invest, and spend wisely, for long-term goals so that in proper time they will have enough investments and savings. Hence, enough savings and investments will ensure the families good living conditions. This study primarily aims to determine the financial stability of the seafarers in terms of spending, saving, and investing and when taken as an entire group as perceived by themselves and the fund holders. This descriptive research utilized adapted questionnaires on financial stability and was reliability tested. The respondents of the study were identified by the researcher and were chosen through simple random sampling. They were the seafarers and fund holders taken from the different shipping companies in Zamboanga Peninsula in the Philippines. This study found out that financial stability in terms of savings, spending, and investing were highly stable as perceived by the seafarers and funders. It was also noted that a significant difference existed in the financial management practices of seafarers themselves and the members of families who handle finances. With these findings, this study highly recommends that seafarers and family members who handle finances must develop financial skills and techniques on how to save, spend wisely, and invest their money to avoid financial stress along with encouraging maritime schools should strengthen and monitor their maritime curriculum subjects to include financial management topics so that seafarers would have ample financial knowledge and capability such that upon employment, seafarers would have the necessary skills on how to budget, save, spend, invest, and protect their income for a comfortable retirement and for the future of their children.

Keywords: *financial stability, seafarers, financial management approach, , spending, saving, investing, financial management skills*

Introduction

A seafarer can be defined as an individual who is employed to serve on any type of marine vessel, typically referring to active workers in the maritime profession or those with a long history of service. Filipinos working abroad as seafarers often benefit from higher income, which can provide financial support for their families. However, behind this economic advantage, there are stories of sacrifice and hardship. According to seafarers.org (2022), the lives of seafarers can be challenging, with long voyages that can leave them isolated from loved ones for up to nine months at a time. Despite the difficulties, some choose this career to provide a better life for their families, even though it requires time away from them. Life on board ships can be tough and hazardous, with seafarers enduring extreme weather conditions, especially during the winter months. While living conditions have improved over time, cabins are generally functional rather than spacious, and their quality and comfort can vary. (Missiontoseafarers.org,2022).

Financial substantial support to families along with work plays an essential role in the framework of the seafarer's family Financial Management Practices. It is a challenge to the families to save, invest, and spend wisely, for long-term goals so that in proper time they will have enough investments and savings to enable them to live comfortably. Hence, enough savings and investments will ensure the families good living conditions. However, management of finances is coupled with financial pressure which arises from situations where

money worries cause financial stress. Financial stress is an emotional tension that is related to money, can stem from being in debt, not enough earnings, and usually may occur more often in households with low income may experience economic hardships that precipitate stress when they struggle to afford their on-going financial obligations. Financial stress arises when families show difficulties in meeting their basic needs, difficulty in paying bills, and money leftover at the end of every month (Afifi et al., 2018)

Good financial management practices reduces financial worry, and financial pressure stress. Learning to cope with one's financial stress and effectively managing one's financial situation can help one feel more in control of his life and become financially stable. Financial stability, according to Silva (2018), means being confident with one's financial situation not necessarily being rich, no stress about money, and being able to focus one's energy on other aspects of life.

The researcher fully believes that when seafarers and their family members handle their finances well, they will not encounter worries, know how to decide what is worth spending for, and carefully plan to set it with knowledge to have well-planned financial management practices in handling their finances that will lead to financial stability. As stressed by Teague (2014), financial stability leads to good quality of life.

It is in this premise that the researcher is motivated to pursue this study for the hope for making this study a baseline for the formulation of a financial management approach which is very helpful in the Maritime Education Curriculum.

Related Literature and Studies

On the Theoretical Underpinnings

This study is anchored on Dan Lok's 5 bucket money management theory. The total income is divided into five buckets: Bucket 1, necessity bucket - 60% of the seafarers' income used in general bills from money for food and clothing; Bucket 2, energy bucket – money for emergency use - 10% which comprises 10% of the seafarers' total income; Bucket 3, investment bucket – this will eventually serve as retirement fund - 10% of the seafarers' total income. 10-15% of return should be enough; Bucket 4, learning bucket – 10% of the total income which will be used to learn new things and improve skills, paying for coaching events, seminars, online courses, etc. Learning improves one's income skills and ultimately will increase income; Bucket 5, fun bucket – 10% of monthly income will be used for vacation, for buying favorite accessories, and attending concerts (in Sanjeeh Basi, 2021).

On the Financial Management

A successful and efficient way to manage money is through financial management. This can happen in terms of managing one's personal finances in a number of ways. Possession of a bank account, prompt payment of bills, use of an expense tracking tool, disciplined savings, diversification of investments, usage of a retirement plan, ownership of a property, and comprehension of financial concepts are typical behaviors that influence one's capacity to prosper or suffer financially (Hilgert, Hogarth, & Beverly, 2003).

Cabrera (2012) defines Financial Management as a decision-making process that involves planning, acquiring, and utilizing funds to achieve the desired goals of an organization. To survive and thrive, it is essential to have sound financial management (Guillan, 2016). This encompasses both organizational and personal financial management. Personal financial management helps individuals manage their home finances, including budgeting, saving, investing, debt management, and other aspects to achieve personal goals (Bimal Bhaft, 2011). Moreover, it is crucial for individuals to understand the significance and advantages of personal financial management, which can lead to a stress-free, financially stable, and secure life.

Maintaining a solid financial home requires careful financial planning. Financial crises can be avoided with the use of sound financial planning and financial stability. This fact sheet will assist people in setting objectives to control their spending by first assisting them in developing a budget to see which household expenses could be cut. One will learn how to develop objectives for spending less and saving money next. One will finally be ready to create a spending plan after looking at his costs, debt, and savings goals. Developing a spending plan and budget will help him achieve financial stability.

On the Financial Management Practices

The term "financial management practices" refers to people's actions and perceptions of how effectively they handle their money. Age, personality, and expertise are the characteristics that affect how young people handle their finances (Norvilitis, Merwin, Osberg, Roehling, Young, & Kamas, 2006). Students are a crucial demographic that should be recognized because they practice poor financial management (Komal, Garima, Manju, & Sudesh, 2017). This activities include, for example, budgeting, cash management, estate planning, and retirement planning (Rajna & Anthony, 2011). Single female families with sound financial management practices will have more financial stability since they are more likely to have investments and savings products and fewer debt-related products. They will thus have a stable financial status (Rajna & Anthony, 2011). Financial management skills among single female households lead to stronger asset growth and more long-term financial stability (Allon, 2014).

According to Mien and Thao (2015), the most common approach to financial management is to allocate funds for savings. People can enhance their general well-being and make plans for their security in the future by using the right financial management techniques. Those who view money as a tool to fulfill their immediate desires may experience poor financial planning, while those who approach money with the proper attitude and mindset will have an advantage in early financial planning and saving. This will lessen their likelihood of becoming bankrupt, allowing them to benefit from early financial planning (Albeerdy & Gharleghi, 2015).

On the Four Main Practices of Financial Management

Budget Management. Budgetary management is the process of managing and tracking income expenses (Indeed.com) Wives of the seafarers are the management common who manage and track the income expenses in their families.

Financial Control. The methods, procedures, and techniques used by an organization to monitor and manage the use, allocation, and direction of its financial resources are known as financial controls (CFI Team, 2022).

Financial management includes financial control as a critical aspect, especially for the spouses of seafarers who are responsible for handling the finances. They must adhere to specific procedures to regulate expenses and keep track of the seafarer's income inflow and outflow.

Value Management. Value management seeks to build long-lasting value at the organizational, social, or project levels for projects, products, and processes. It focuses on enhancing and maintaining a favorable balance between stakeholders' demands and wants and the resources required to fulfill them (The Institute of Value Management ,2020)..

Governance and accountability. Financial responsibility occurs when an individual is held accountable for performing a financial task, such as an essential monitoring stage during a financial transaction process, in a competent and efficient manner (Financial Accountability Guide, 2022).

On the Financial Stability

Teague, (2014) believes that financial stability is a vital necessity in order to make life grow into something better. When one is financially stable, life goes much better. Being financially secured allows families to obtain safe housing, nutritious food, and other essential items that enable them to fully participate in their communities and prepare for the future. In order to achieve financial stability, one should spend less than what they earn and have enough funds to cover basic necessities such as food, shelter, and utilities, while also having some savings set aside for unexpected expenses, emergencies, and future retirement.

Financial stability of a person depends on how stable is the job with an income more than enough to support one's family. Being financially stable develops confidence with one's financial condition. No worry of what to pay for funds is enough. So being debt free, so much money is saved for future use. Financial stability is not being about being rich; it is more of a proper mindset when one is stable financially. No stress about money will come and the best way is that one can focus one's energy on other facets of life.

Five Critical Things to Achieve Financial Stability

Borghesan, (2020) enumerated five critical things to achieve financial stability:

1. *Create a plan for finances and stick to it.* A financial plan is just a way to analyze or take control over spending.
2. *Make an extensive budget.* Prior to creating a detailed budget, consider how each financial decision made is impacted by the way money is spent. Second, one of the simplest things one can start doing right away to have a long-lasting effect over time is taking control of spending habits.
3. *Save money and increase emergency fund.* Making a budget can help on one's journey to putting up an emergency fund that should be at the top of one's priority list, making place for more savings, and paying off debts. This is one of the main goals of developing a budget, especially a thorough one. Emergency funds must be a separate account that can be used only in the case of financial emergencies such as unemployment, appliance breakdowns, or other unexpected costs. One of the telltale signals that one has attained financial security is having a sizeable emergency reserve.
4. *As often as one can, live debt-free.* Among the many things people must avoid is using credit cards when cash payment is an option. Although using credit cards has some benefits, it is often risky. Using cash wherever possible is a basic rule-of-thumb while making purchases.
5. *As soon as one can, one should start making retirement plans.* There is no such thing as starting financial planning and retirement preparation too early. In fact, the earlier one can get started, the better off one will be and the less strain one will put on one's finances later on in life.

On the Hidden Benefits of Being Financially Stable

Less stress and better health. According to a survey by the American Psychological Association, 73% of respondents said that their stress levels are most affected by money. This is problematic since chronic stress is not only unpleasant, but also fatal. Numerous serious health conditions, including heart disease, stroke, depression, and even obesity, are significantly influenced by stress. By putting in the effort required to organize one's finances, one may also be able to live longer and with higher quality.

Better Marriages. Relationships suffer from financial difficulties. When the inevitable day of reckoning arrives (such as when the credit card bill is due or the mortgage is

in foreclosure), couples may start pointing fingers at one another rather than cooperating to find a solution. Couples with a sound, mutually-negotiated financial plan may not get everything they want, but they are less likely to blame one another.

More options in life. People have more control over their own lives when they budget wisely and make future plans. In contrast, people who are perpetually in debt are beholden to their payments and the terms of their agreements with the banks. If one wants to have the financial room necessary to shift careers or desires more educational options for one's children, he should make a tiny sacrifice now that will benefit him afterwards.

The ability to show generosity. The margin is greater for those with steady finances. In other words, they do not splurge or go above and beyond their means. They build "in a bit of a buffer" in the financial plan for the "what ifs" in life. That is a wonderful feeling when one is suddenly confronted with a need or a cause that one wants desperately to support and one has the means to do so.

More financially stable children. Children who grow up in homes where financial responsibility and literacy are emphasized are more likely to achieve financial security as adults. It is a great accomplishment to have adult children who can support themselves and do not need to rely on their parents for financial assistance repeatedly. However, it cannot be assumed that children will absorb this knowledge naturally. Parents should make a deliberate effort to teach their children the fundamental principles of money management. (Family First, All Pro Dad, copyright 2021, <https://www.imom.com/5-hidden-benefits-of-financial-stability/>).

Having financial stability is a crucial aspect in making the "life after college" experience valuable and fulfilling. Financial stability can provide benefits not just in the long term, but also in the present time (Teague, 2014). The best ways to achieve financial stability are by creating a budget and a spending plan, as well as by paying off debts and saving money. Financial stability is attained when an individual can meet their daily financial needs, which involve having a savings plan, reducing debt to a manageable level, and establishing an emergency fund.

Research Questions

1. What is the financial stability of the seafarers in terms of spending, saving, and investing and when taken as an entire group as perceived by themselves and the fund holders?

Methodology

The main purpose of the study was to determine the impact of financial management practices and financial stress on the seafarer's financial stability. The respondents of the study were the randomly chosen seafarers and fund holders. The study was conducted on the second week of April 2022.

This descriptive research utilized adapted questionnaires management practices, financial stress, and financial stability and was reliability tested. The independent variables considered were financial management practices and financial stress, while the dependent variable was the seafarers' financial stability.

The computer-processed statistical tools were frequency, percentage, mean, and standard deviation for descriptive analysis and t-test for independent samples and Pearson's r for inferential analysis set at .05 level of significance.

The respondents of the study were identified by the researcher and were chosen through simple random sampling. They were the seafarers and fund holders (members of the family who handle the family finances) taken from the different shipping companies in Zamboanga Peninsula.

For financial stability, the questionnaire was adapted from Mejares (2019) based on the indicators of the three bucket system which are: saving with 6 items, spending with 5 items, and investing with 6 items for a total of 17 items. The questionnaire was answerable by always (5), very often (4), sometimes (3), rarely (2), and never (1).

For statistical purposes and interpretation, the following scale of means and description was used:

Scale	Description
4.20 – 5.00	Very highly stable
3.40 – 4.19	Highly stable
2.60 – 3.39	Stable
1.80 – 2.59	Unstable
1.00 – 1.79	Very Unstable

“Very highly stable” means that the respondents perfectly know how to invest, save, and spend money wisely. “Highly stable” means that the respondents almost know how to invest, save, and spend their money wisely. “Stable” means that the respondents know how to invest, save, and spend their money wisely on the average. “Unstable” means that the respondents may or may not know how to invest, save, and spend their money wisely. “Very unstable” means that the respondents have no investment, no savings, and do not care about their expenditures.

Results and Discussions

Table 1. shows the financial stability of the seafarers in terms of spending, saving, and investing and when taken as an entire group as perceived by themselves and the fund holders.

In terms of Spending

The data revealed that when taken as an entire group in spending, the overall mean was $M = 3.47$, $SD = .80$, “highly stable”. As to the seafarers, “highly stable” were: setting aside money for untimely death, having enough funds for vacation, family bonding, buy a brand new car, and being thoughtful about purchases. “Stable” were don’t fight about money with spouse about spending and large purchases create a damage in your finances.

As to the fund holders, “highly stable” were setting aside money for one’s untimely death; having enough funds for vacation, family bonding, buy a brand-new car; thoughtful about one’s purchases; fighting about money with spouse about spending. “Stable” was large purchase create a damage in one’s finances.

In terms of Saving

When the respondents were taken as an entire group in saving, the overall mean was $M = 4.17$, $SD = .83$) “highly stable”. As to the seafarers, “very highly stable” were: setting aside for health-related needs; setting aside for the college education of children; and saving money regularly for long-term goals. “Highly stable” in saving money to acquire properties, saving three months of salary for emergency funds, and setting aside 20% of monthly income for comfortable retirement.

As to the fund holders, “highly stable” were: saving money to acquire properties, setting aside 20% of your monthly income for comfortable retirement, saving three months of salary for emergency funds, and setting aside for health-related needs. All the means fell within the 3.90 – 4.19 range. However, “very highly stable” were setting aside for the college education of children and saving money regularly for long-term goals. The mean was within the 4.20 – 5.00 range.

In terms of Investing

When taken as an entire group, the respondents were “highly stable” in investing (M = 3.44, SD =.76).As to the seafarers, they were “very highly stable” in their financial goal on their investment when they stopped working. “Highly stable” in familiarity with their basic investments, in investing money to earn higher income, understanding the difference between stocks and with some opportunity to grow in value. The mean fell within the 3.40 – 4.19 range. “Stable” in generating income with investment. “Unstable” in investing in something you don’t understand.

As to the fund holders, “highly stable” in knowledge of and familiarity with investment, understand the difference between stocks with some opportunity to grow in value, and generating income with investment. The mean fell within the 3.40 – 4.19 range. “Stable” in having financial goal on investment when stop working and “unstable” in having invested in something you don’t understand.

Table 1. Means and SDs for the Mean of the Financial Stability of the Seafarers in Terms of Spending, Saving, and Investing when taken as an Entire Group as Perceived by Themselves and the Fund Holders

Items	Mean	Description	SD
Seafarers			
(A) Spending			
(1) Do you set aside money for your untimely death?	3.90	Highly stable	1.32
(2) Do you have enough funds for vacation, family bonding, buy a brand-new car?	3.45	Highly stable	.99
(3) Are you thoughtful about your purchases?	3.90	Highly stable	.98
(4) You don’t fight about money with your spouse about spending?	2.98	Stable	1.42
(5) Do your large purchase create a damage in your finances?	2.65	Stable	1.42
Fund Holders			
(1) Do you set aside money for your untimely death?	4.02	Highly stable	.57
(2) Do you have enough funds for vacation, family bonding, buy a brand-new car?	3.42	Highly stable	.84
(3) Are you thoughtful about your purchases?	4.10	Highly stable	.81
(4) You don’t fight about money with your spouse about spending?	3.42	Highly stable	1.22
(5) Do your large purchase create a damage in your finances?	2.95	Stable	1.24
Over-all Mean	3.47	Highly stable	.80
Seafarers			
(B) Saving			
(1) Do you save money to acquire properties?	4.12	Highly stable	.94
(2) Do you set aside 20% of your monthly income for your comfortable retirement?	3.82	Highly stable	.90
(3) Do you save three months of your salary for emergency funds?	3.92	Highly stable	1.05
(4) Do you set aside for your health-related needs?	4.28	Very Highly Stable	.99
(5) Do you set aside for the college education of your	4.42	Very Highly Stable	.96

child?

(6) Do you save money regularly for your long-term goals? 4.25 Very Highly Stable 1.08

Fund Holders

(1) Do you save money to acquire properties? 4.10 Highly stable .98
 (2) Do you set aside 20% of your monthly income for your comfortable retirement? 4.12 Highly stable .93
 (3) Do you save three months of your salary for emergency funds? 4.02 Highly stable .92
 (4) Do you set aside for your health-related needs? 4.12 Highly stable .75
 (5) Do you set aside for the college education of your child? 4.27 Very Highly Stable 1.06
 (6) Do you save money regularly for your long-term goals? 4.32 Very Highly Stable .83
Over-all Mean 4.17 Highly stable .83

Seafarers

(C) Investing

(1) Do you have some knowledge and are you familiar with some basic Investments? 3.80 Highly stable .88
 (2) Do you understand the difference between stocks and with some opportunity to grow in value? 3.52 Highly stable .88
 (3) With your investment, do you generate income? 3.35 Stable 1.23
 (4) Do you invest your hard- earned money to earn higher income? 3.40 Highly stable 1.26
 (5) Have you invested in something you don't understand? 2.10 Unstable 1.26
 (6) Do you have financial goal on your investment when you stop working? 4.25 Very Highly stable 1.01

Fund Holders

(1) Do you have knowledge of and are you familiar with some basic Investments? 3.92 Highly stable 1.04
 (2) Do you understand the difference between stocks and with some opportunity to grow in value? 3.45 Highly stable .96
 (3) With your investment, do you generate income? 3.55 Highly stable .96
 (4) Do you invest your hard- earned money to earn higher income? 3.67 Highly stable 1.21
 (5) Have you invested in something you don't understand? 2.47 Highly stable 1.30
 (6) Do you have financial goal on your investment when you stop working? 3.8 Unstable 1.24
Over-all Mean 3.44 Highly stable .76

4.20 – 5.00 *Very Highly Stable*
 3.40 – 4.19 *Highly Stable*
 2.60 – 3.39 *Stable*
 1.80 – 2.59 *Unstable*
 1.00 – 1.79 *Very unstable*

Conclusion and Recommendations

This study found out that financial stability in terms of savings, spending, and investing were highly stable as perceived by the seafarers and funders. Being highly stable seems to show that they can control spending, know how to save for good, and invest their money to augment their income. It was also noted that a significant difference existed in the financial management practices of seafarers themselves and the members of families who handle finances. Moreso, a significant difference in the financial management practices of the seafarers seems to indicate that their financial management practices differ. With these findings, this study highly recommends that seafarers and family members who handle finances must develop financial skills and techniques on how to save, spend wisely, and invest their money to avoid financial stress so that upon retirement, seafarers and of their family members would be financially stable. This study also encourages maritime schools should strengthen and monitor their maritime curriculum subjects to include financial management topics so that seafarers would have ample financial knowledge and capability such that upon employment, seafarers would have the necessary skills on how to budget, save, spend, invest, and protect their income for a comfortable retirement and for the future of their children.

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