

Budgeting – don't just dream it, plan it.

PERSONAL FINANCIAL LITERACY

Budgeting is the routine and skill of writing down our income and expenses and planning how we are going to use our money.

A budget gives us a picture of how we are spending our money and is a tool that we can use to help change the way we spend our money.

We should do it regularly before we receive our income and include everyone who may need money from us over the period of the budget. Always be HONEST otherwise it won't really help.

Managing our money starts with a few small steps

Decide if the expense is more than one type. When we find the luxuries, we find the easiest way to save and control our budgets, for example:

- F** **FIXED:** Expenses that you have planned and know about in advance. They are for the same amount every month, over a period of time.
- R** **REGULAR VARYING:** Expenses that must be paid monthly but the amount is different every month.
- U** **UNPLANNED / UNEXPECTED:** Expenses that are unplanned, that you weren't expecting to have to pay.
- L** **LUXURY:** Expenses for extra things that you may want but don't need.

Understanding the different types of EXPENSES can give us a better picture of where all our money is going and where we can cut down. This is a very important tool to change the way that we use and understand our money. It can help us make much better choices, assist us if we are in debt, or get our money to make more money. All of the TYPES OF EXPENSES are listed below. We need to remember that this is a very useful way to give us the power to decide.

It is important to list all your income and expenses each month. Once you have recorded all your expenses, decide what type of expense each one is, and then put the TYPE in the right-hand column on the budget that you should complete on the next page.

	TYPE	CONSIDER THIS?
Groceries	R L	Are there luxuries e.g. biscuits or cold drinks in the basket?
Clothing	R L	Do you need it, or can you buy it at a cheaper shop?
Entertainment	L	Sometimes we do need to spoil ourselves but not all the time.
Loan repayment	U L F	What did you have to take the loan for in the first place, even though it is paid back as a Fixed Expense?
Cell Phone	R F L	Could you rather send an SMS?
Medical Expenses	R	Medical Aid doesn't always cover everything.
Rent / Bond	F	Rent / Bond
Electricity & Water	R L	Could you go onto prepaid and set an amount that you are willing to spend each month? This will remind you to switch off lights and geysers.
Transport	R L	Could you rather walk?

Monthly budget

MONTHLY INCOME	A	B	C
Description	Amount Out	Amount In	Type
Salary			
Salary of partner			
Rent from property			
Income from investments			
Pension			
Other			
MONTHLY EXPENSES			
Rent			
Electricity / gas & water			
Insurance policies			
Groceries			
Clothes			
Transport			
Education / school fees			
Entertainment			
Telephone / cell phone			
Garnishees			
Bank loans			
Mashonisa loans			
Hire purchase agreements			
Clothing accounts			
Credit card			
Rental costs			
Medical aid / medical expenses			
TOTALS			
DIFFERENCE IN INCOME AND EXPENSES			
Column A – Column B			

- Get a savings tin and put all your loose change in it.
- Plan your shopping trips. Don't simply go to the shops. Have a shopping list and this should keep you from buying items that you don't need.
- Speak honestly to your creditors if you can't pay. They will probably listen to you if you have a money plan in place.
- Avoid any kind of credit card unless you really need it for something specific, like tolls.
- With a credit card, always pay off the required monthly instalment, and if you are not using it rather close the account.
- Needs are things that we cannot do without. They are necessary for our day-to-day living. Wants are things that we would like to have but that we can live without. They are not needed for day-to-day survival.

We need to understand what kind of expense it is and then turn as many expenses as possible into **FIXED EXPENSES** – expenses that don't change. The more our expenses become **FIXED**, the more we can start to control our expenses rather than letting them control us.

An example: If you only have R100 to spend on your cell phone, then make a promise to yourself, stating that you will only spend this amount. The first month may go very wrong and you may run out of airtime in the second week. But you'll soon learn how to stretch it, like buying R25 a week. Think of what you might save.

BUDGETING TIPS to think about when you are doing your budget every month:

- What are my current incomes and expenditures? This current budget will show if your expenses are more than your income.
- What can I change?
- If our expenditure does exceed our income, we need to decide where we can make changes and cut down on our expenses. If we are managing to live on our income it may highlight areas that we might like to look at as opportunities for saving wisely or using cash to buy something that is necessary.
- Arrange to have a regular time every week or month to draw up a budget.
- Make sure that the whole family takes part. Getting your children, if you have any, to understand the idea of managing money wisely will give them the skills for their own future. You don't have to share all of the details but let them learn.
- Remember to keep copies of all documents. Keeping control of the number of payments and when the payments end is important, because sometimes the shop keeps deducting. It also helps you remember the values of policies and your rights and obligations. A tidy filing system, in a divided and marked binder or a file, makes these documents much more accessible. There is a list of things you should keep on the next page.

