

# Budgeting



A budget is a powerful tool you can use to help you take control of your money.

Some people say they can't budget. They say it's too complicated or they don't know where to start. Or they think they've got enough money and don't want to be restricted by a budget because it might mean going without.

The truth is, everybody who does a budget can see how it pays off. Basically, it helps you understand where your money goes so you can take control. A budget helps you decide what you want and plan how to achieve it.

## The bottom line

**Saving will be easier than you think when you've got a budget to tell you where your money is going. Be flexible. A budget is a tool, not a strait jacket.**

## How do you get started?

You can start a budget by simply writing down what you spend over a couple of months. Remember, your budget is your personal tool and you can choose how much detail you want to include. When you are starting out, you may find it helpful to put your spending into categories - such as groceries - rather than keeping tabs on individual items such as shampoo, breakfast cereal and pet food.

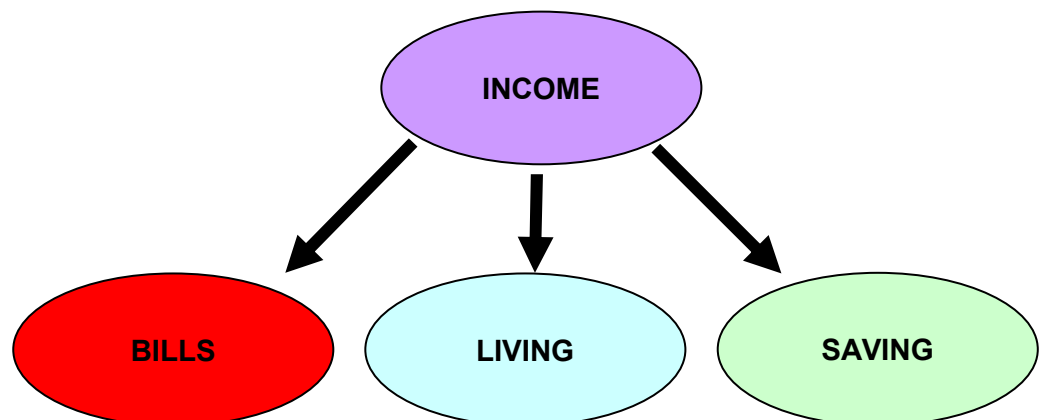
Some people find it helpful to work with two groups of expenses:

- **Bills** - bills you must pay to keep your household and family running, such as utilities (electricity, gas and water), housing (rent or mortgage), health, education and so on.
- **Living** - the other expenses in your life such as groceries, petrol, entertainment, holidays and gifts.

**TIP: Pay yourself first (Bills & Living). The balance should then go to savings.**

**Income – Bills – Living = Savings**

**Set up 3 accounts with automative credits from your pay**



There are no hard and fast rules for creating a budget. What is important is that it is easy for you to understand. Remember to keep the list of categories simple and useful to you. And be flexible. You can change the categories you use if you find they don't work for you.



## Putting your budget together

### Step 1: *Pick a timeframe*

Do you need to use your budget as a weekly guide, a fortnightly guide or a monthly guide? We recommend that people match their budget to their pay period. This can help you make sure day-to-day expenses and bills are covered.

Once you've decided on a time frame make sure all the numbers you write down match it.

### Step 2: *Estimate your income*

Use the first part of the budget planner to work out your income. Remember to match the time frame you've chosen for your budget. Stick to regular income like wages and savings interest and use after-tax figures if you can. If your work is irregular and you don't get the same amount each pay, try to estimate an amount close to what you are likely to get on average. Don't include irregular income like a tax refund or an annual Christmas bonus because you may not get it.

### Step 3: *Estimate your expenses*

Enter your expenses in the second part of the budget planner. The planner includes sample categories and has some blank spaces in case you need to add any other expenses.

Match your expenses to the timeframe you chose at Step 1. For example, a quarterly bill of \$600 can be included as an expense of \$100 in your fortnightly budget. If you do treat quarterly bills like this, you can put the money into a savings account each pay to draw out when the bills are due.

### Step 4: *Work out the difference*

When you've completed the income and expenses tables, you can clearly see how much regular income you receive, and where your money goes. Subtract your total expenses from your total income to get your net result. Do this in the last part of the budget planner. This amount should then go into savings.

### Step 5: *Fine tune and plan*

Is the result what you were expecting? Does your budget show you spending more than you earn? Is this what really happens to you? Do you find yourself reaching for the credit card regularly? Do you want to change this by cutting back on some of your extras?

Be realistic. Be careful not to make plans that you can't achieve. If you plan on achieving your goals by cutting out all your extras, chances are you won't succeed. Taking control of your money doesn't mean you have to restrict your budget to the bare necessities.

### Step 6: *Keep it up-to-date*

Keep track of your expenses. Are they close to your estimates? Adjust your budget if you have to. Once a year or so, it's a good idea to go through your budget and your plans from scratch.

## How do you stick to a budget?

If you want to stick to your budget you may need to look at your expenses. If you need to trim your spending, look at cutting down your extras list first. Don't cut them all out. If your budget is too tight, it will be harder to stick to.

## How do you manage unexpected expenses?

Some people worry that an unexpected bill will derail their budget. The best way to prevent this is to plan for it. Try to save enough to give yourself a small buffer you can use in emergencies.

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