

Educ'ish

LIVE OUTSIDE THE LINES

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High Life

#Money Management

Data Friendly Version

Starting a Budget

Educ'ish
LIVE OUTSIDE THE LINES

CONTROL
YOUR
MONEY



Lesson One

What is the purpose of a budget?

Why bother using a Budget?

We all have different levels of income and different situations to match. However, it does not matter how much money you make if you cannot learn to use what you have available. It is easy to get credit and often we start to live beyond what we can afford; this creates unnecessary debt and financial strain that could have been avoided.

A budget is a tool that helps you determine how much you make and what you spend your money on each month. Therefore, you can figure out what you can afford and what might need to be trimmed down to avoid going over your actual monthly income.

After this basic benefit, you can start to really maximise your money to create some financial stability and growth. Being able to determine how much money you need for your lifestyle allows you to start adding in important goals such as pension funds, emergency funds, saving up for holidays, down payments and other milestones you want to achieve in life.

The key elements of a budget?

Before you start setting up your budget, there are a few things you need to gather to determine all aspects needed within your budget. The main aim is to determine the total you earn and against that takeaway all expenses to ensure you remain within the money available each month.

Income – How much money you make in a month is essential to realising the total funds you have to use within a month. This can include : Fixed salaries, wages, Side hustles and any other income stream that you receive within a monthly basis.

Expenses – You need to have a real idea of where your money goes each month for a budget to actually work. This means putting down every single expense you have within a month, even if you need to estimate the totals each month to account for it. This will include your debit orders, monthly payments made, allocations for all living expenses and setting values for certain items such as clothing, entertainment, food, etc. The best place to determine all of these items is by referring to your previous bank statements to see how much you spend each month and on what.

Trial and Error

If you have never done a budget before, you won't have a true understanding on where your money goes each month. That is ok, as you are now starting to put a budget together which is already progress – So good for you!!!

But as it is your first time, it will take some flexibility and sacrifice to make the budget work for you. Once you have determined your maximum funds available, you will need to adjust certain expense items that are not essential until it all fits in to your affordability.

Lesson Two

How to set up a budget

Getting started

On the Educ'ish website, we have provided a free template to use for your budget. If you are unsure what to put in and how to set it up, this template is a great place to start as it includes all the general basic items. Just edit all of the information to fit your requirements. Once your details are all listed you can start with the current month and put in the easy details such as your income.

If you are living with someone, it is essential you do the budget together as you will be sharing expenses. There can be a lot of disagreements over where money should go but it is a great way to build a trusting relationship, and you have to put the effort in to make it work!

Add it all in!

You need to make sure it is all listed in the budget, even if you consider it a small cost. Every single cent you might spend in a month needs to have a category that it belongs to, this ensures you don't get surprised at month end when the money you thought was there is gone.

Expenses to include – Rent, Loans, credit repayments, debit orders, Monthly transfers, Charges and fees, allocations for living expenses any many more. There is no limit to the categories you can have, as long as you know you will spend money on it then it needs to have its own line under expenses. Each allocation for things such as petrol, groceries, clothing, and such are all estimates on what you think you will need to use within one month. As you use the budget each month you will get a better idea of the real amount you need going forward and you can adjust as needed.

Income can be any money you receive within the month, obviously the more you have available the better for your budget and capabilities. But you need to be truthful about what money is available to be spent each month. It is best to use the exact amounts you see being paid into your account each month or the physical cash you have on hand.

Honesty and realistic changes

A budget will never work if you are not honest about how you spend your money and how much you have available. Be truthful to yourself and as realistic as possible to ensure you meet the targets you are setting each month.

Put down all of the **non-negotiable costs** such as debit orders and credit repayments, then you can start adjusting the budget to fit your lifestyle. You may need to make some sacrifices in certain expenses such as clothing and spending habits to fit in all of your needs.

Flexibility is key – Each month can be different, and some items will change regularly. That is why it is best to set up the budget before each month. You can then amend the income and expenses to match what is going to change in the coming month. As long as it all balances out, you will give yourself a lot of confidence and reduce any financial stress that comes with these upcoming changes.

Have fun – Make sure you have a category for entertainment and other pleasures you need in life to keep you happy. Whether that's a coffee budget, sweet treat allocation or gaming money. It doesn't matter what it is, but you need to have something to enjoy each month. We all need some relaxing time and what's the point of working if you can't enjoy some of your hard-earned cash!!!

Lesson Three

Keeping it up!

Monthly commitment

A budget is not a once off decision. Once you start budgeting and being disciplined with your money, you will start to have confidence and reduce a lot of the stress around your finances. This means you will need to be committed and keep it up every single month for it to keep you on track.

Check in each week – Take a screenshot of your budget when it's done and save it to your phone. This lets you review it any time you need, to see how much you have for certain expenses and confirm amounts before you start swiping that card.

Track your account – It is always good to check your account statements and see what purchases you made. This ensures you did not stray from your budget, and if you do spend out of the allocations then it is best to think about adding in a new category for expenses or adjusting an existing one.

Review to adjust – As you set up your budget each month, check back on the previous month to see how you did and if you kept within the allocations. This helps you make decisions on what expenses need to be adjusted and keeping it realistic.

Cash Envelopes

A great way to track your spending each month is to separate the physical cash. The envelope system basically sets you up with envelopes to match all of the non-deductible items within your expenses list.

You would then withdraw the amounts in full from your account and place the exact cash value in each envelope. This system requires you to then use cash to pay for all of the envelope items you have created, ensuring that you do not use more than what you have set as a limit. Once the cash in a specific envelope is finished, you cannot spend on that category until the next month. This is a great way to stick to certain budgets for groceries, entertainment, and other lifestyle purchases.

This concept suits those who are too relaxed with their cards and tend to swipe without thinking where the money belongs. Try it out for one of the months and see if it works for you. The **Digital alternative** is to create multiple savings pockets within your banking profile (rename them first), then you can transfer the specific value to each savings pocket for the allocated items you need. It all comes down to discipline and being honest with yourself!

Setting Goals

Once you have the budget in place and are sticking to your own limits, then you can start planning out the goals you have in life. You will have a great insight into how you are doing financially and will have trimmed off some of the unnecessary expenses. You can start allocating budget items to goals that you want to achieve such as retirement funds, holiday trips, large purchases and even saving up for a car or house.

You can set up savings accounts as a safety net for any unplanned expenses such as emergencies, investments in yourself or even a fun purchase that you have now worked hard for. It is your money, so you should decide where it should be spent – and you can finally start enjoying it!

Don't be discouraged when it doesn't work out some months, it happens to us all and is always a lesson learnt. Keep it up, stick to your rules and enjoy the financial freedom you have worked so hard for!