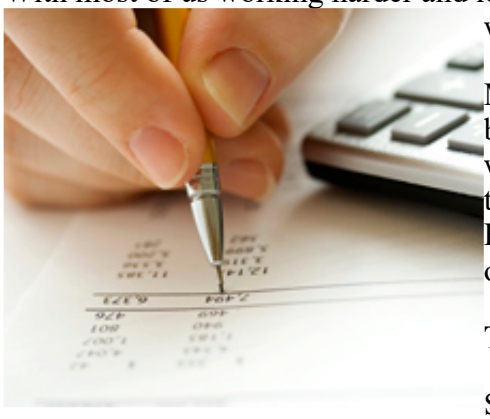
How to create a budget and manage your money

With most of us working harder and longer than ever for our pay, we owe it to ourselves to really look after what we earn, and spend it wisely.



Money management is rarely taught in school, so "trial and error" has become our teacher. This can result in enormous stress, as we wrestle with paying bills, managing debts and saving for the future. Along with the challenges of inflation, it can sometimes seem like a daunting task. For most people, drawing up a budget is the best way to calm the storm of financial stress—and it's much easier than you might expect.

Tips and tools you can use

Successful budgeting begins with clear identification of income and expenses. The latter should be broken into fixed expenses (payments that you have to make, such as rent, mortgage, loan payments etc.), and variable expenses (such as gifts, entertainment, travel etc.). Outlining your basic expenses will put you in an excellent position to begin taking control of your finances.

Assessing the situation

- Add up your income from all sources, including take home pay, pensions, child support, alimony, rental income, etc.
- Determine the fixed expenses you have to pay, including rent, mortgage, utilities, loan payments, insurance, etc.
- Determine the variable expenses that you have some control over, including food, clothing, entertainment, travel, gifts, etc.
- Track your daily pocket-change expenses for a week or more, including snacks, newspapers and spontaneous small purchases.
- Add an amount for emergencies that may crop up over the year.
- Add an amount for savings for the future.

Balancing income and expenses

Compare your income with the total expenses you have listed. If your income is greater than your expenses, reflect whether you could make better use of the surplus through saving or investments.

If your expenses are greater than your income, it's time to trim your budget. From the above exercise, you should be able to identify the amount you need to trim from your expenses. If your debt load is overwhelming, consider credit counselling.

Trimming expenses

- Review your fixed expenses. This is the hardest area to trim, but savings are sometimes possible through better mortgage rates, loan consolidation etc. In extreme cases, alternative housing options may need to be explored.
- Divide your variable expenses into "needs", which would include basic food, clothing and utilities, and "wants", which might include entertainment, hobbies and travel. Consider where savings could be made.
- Set realistic targets that allow for small treats. If your budget is too harsh, you are more likely to give up.

- If you carry debt, consider how to better handle the load. Call your credit companies and enquire about interest rates or payment plans. Most financial planners can give you options like switching debts over to lower interest options or consolidating debts for a lower monthly payment.

- If at all possible, consider funds for savings and emergencies as budget "needs" and try to cut "wants" before you cut into these funds.

- Consider automatic payroll deductions from your monthly salary into a savings account.

Money is less of a mystery than most people believe. It’s mostly common sense. Being responsible and creating a sound financial plan for your family’s future is the only way to be confident in your ability to weather hard times and achieve a sense of security for the future. The peace of mind you will gain from working with a budget will be more than payment for the effort.