



Personal Budgeting - A Guide to Getting Your Finances Under Control

It may seem superfluous, but let's start by defining what a personal budget is; *"Personal budgeting is the process of tracking your income and expenses in order to create a spending plan. It can be a helpful tool for managing your money, saving for goals, and avoiding debt"*.

In this article Adriaan Giessing, Seed Head of Distribution gives us insight into **Personal Budgeting - A Guide to Getting Your Finances Under Control**.

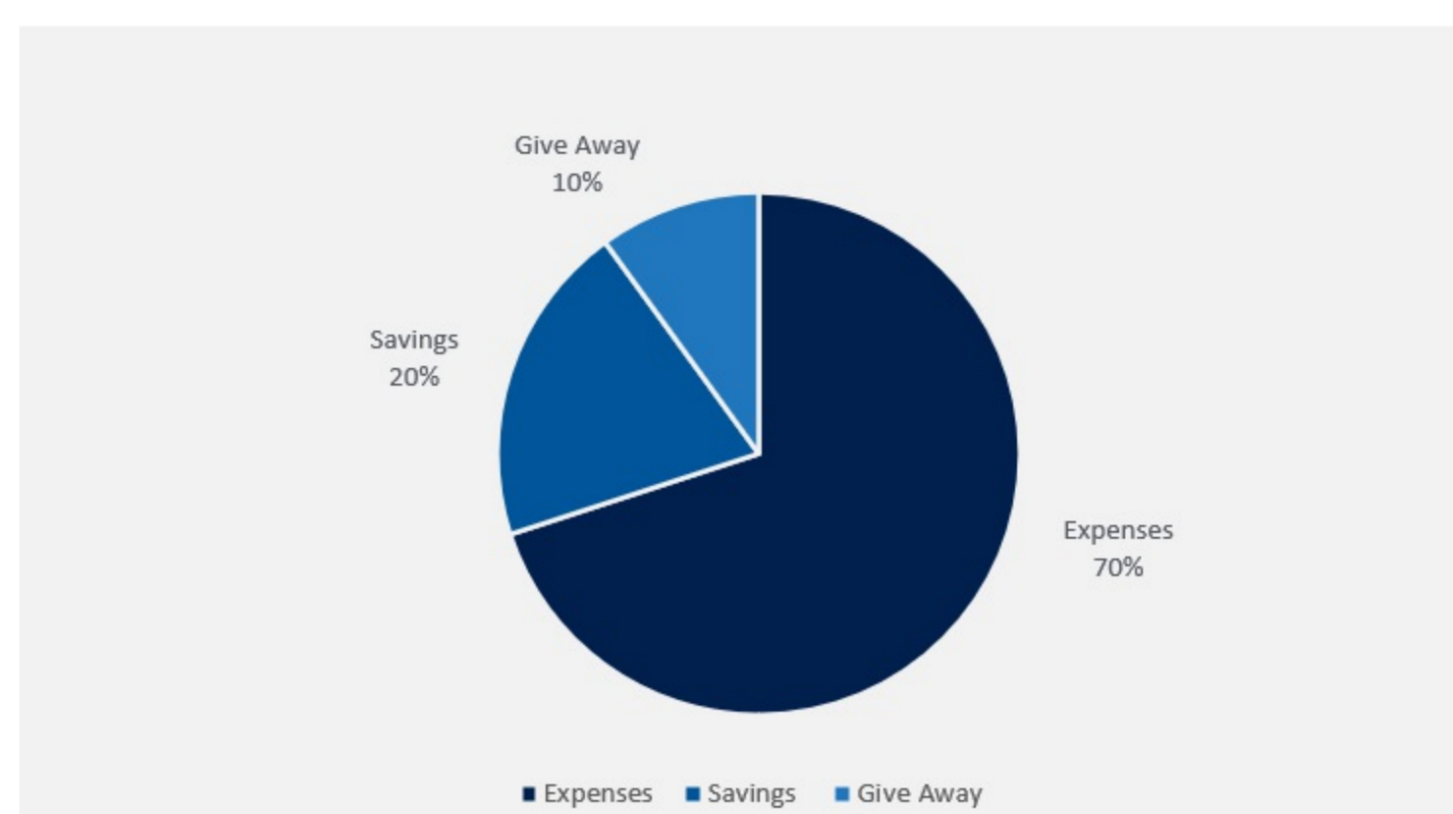
Why is Personal Budgeting Important?

A topic that is sure to be a hit on many a new years' resolutions, but for most of us that is often where personal budgets stay.

There are many reasons why personal budgeting is important. Here are a few of the most important:

- It helps you **track and understand your spending**. When you track your spending, you can see where your money is going. This helps you to identify areas where you can cut back or save more money.
- It helps you **create a spending plan**. Once you know where your money is going, you can create a spending plan that helps you reach your financial goals. For example, maybe you want to start saving for a deposit on a house, but you also love your daily coffee (or 10) from your favourite barista in town. By carefully allocating budgets for each of your required spending and saving goals, you can ensure that don't overspend and reach your financial goals. This leads nicely to the next point;
- It **helps you avoid debt**. If you track your spending and create a spending plan (and stick to it), you are less likely to overspend and end up in debt.
- It gives you **peace of mind**. When you know where your money is going and you are on track to reach your financial goals, you can feel more confident about your financial future.

Personal Budgeting



To expand on this, of your 100% after tax income:

70% - Spend on expenses (house repayment, car instalment, cell phone account, fuel, school fees, food etc.)

20% - Save (short and long term saving goals)

10% - Give away (church, charity, fill a need)

Let's Get Practical

There are many ways to create a personal budget. Here are the basic steps involved:

1) Gather your income and expense information

This includes your monthly income from all sources, as well as your monthly expenses for housing, food, transportation, debt payments, entertainment, and other categories. A good idea is to take your last three months bank and credit card statements and do a monthly budget with income and expenses.

2) Categorize your expenses

This will help you see where your money is going and identify areas where you can cut back. Breaking expenses into fixed and variable expense help to identify potential areas for saving.

3) Create a spending plan

This is where you will allocate your income to different categories of expenses (refer the 70/20/10 breakdown above).

4) Track your spending

This is important to make sure that you are sticking to your budget.

5) Be ruthless

If your current expenses exceed your current income, you are creating debt on a monthly basis. Be ruthless in cutting back expenses until you have a positive bottom line.

6) Review your budget regularly

This will help you make sure that your budget is still working for you and that you are on track to reach your financial goals.

Here Are a Few Tips for Personal Budgeting

1) Start small

If you are new to budgeting, start by tracking your spending for a month or two. This will help you get a good idea of where your money is going and make it easier to create a budget.

2) Be realistic

When you create your budget, be realistic about your income and expenses. Don't try to cut back too much too soon, or you are more likely to give up on your budget.

3) Be flexible

Things change, so be prepared to adjust your budget as needed. For example, if you get a raise, you can increase your savings or pay down debt faster.

4) Make it a habit.

The key to sticking to a budget is to make it a habit. Track your spending regularly and review your budget each month.

Personal Budgeting Software

There are many personal budgeting software programs available – either through your bank or 3rd party providers. These programs can make it easier to track your spending and create a budget.

Conclusion

Personal budgeting is a valuable tool that can help you manage your money, reach your financial goals, and avoid debt. If you are not currently budgeting, I encourage you to give it a try. It may seem daunting at first, but it is worth the effort.



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