

This is MONEY

A daily guide to your Personal Finance

- Savings
- Travel
- Debt & Borrowing
- Utilities
- Managing your Tax

Money Matters

with Nimi...



Budgeting tips for 2016



To many people the word “budgeting” smacks of being an unpleasant, tedious activity. How can one monitor every single detail of one’s spending? As you consider whether this is yet one more task that you should undertake, ask yourself the following questions. Are you having difficulty making ends meet? Are you spending more than you earn?

At the end of every fiscal year, companies look at how money was spent and allocated from the previous year to set budgets for the next year. Your family budget shouldn’t be treated any differently. A budget will help you take control by helping you to keep track of where your money comes from and where it goes. Here are some points to note when preparing a monthly personal budget.

Calculate your income

How much do you earn? Calculate exactly how much income you have coming in from tips, sales commissions, bonuses, salary, and any additional passive income such as rental or dividend income that you might earn. Once you have accounted for all your income, have a look at your expenses. Most people tend to struggle when it comes to keeping track of expenses particularly those daily “hidden” expenses that you don’t even remember spending; these are more difficult to track.

Track your expenses

A useful exercise is to chart your daily spending for a month. Record literally every expense, from buying your daily newspaper, to eating out, to picking up an appliance at the mall, or filling your car tank. Critically re-

viewing all your expenses makes any excesses all the more glaring. Can you find an expense that can be cut? Maybe you could bring your lunch to work twice a week, or set up a car pool with friends. Just cutting back on eating out and reducing your diesel or petrol costs can help you build savings.

Stick to the budget

The hardest part of budgeting is sticking to the budget; many find it easy to set up their budget but fail when it comes to living within it. Remember, you are the only one that can maintain a budget, so it should be tailored to your needs, your values and your priorities. Be flexible; remember that life is unpredictable; when you make a budget, try to allow for some unexpected expenses. And, be gentle with yourself if you go over your budget sometimes. You will make mistakes but don’t be too hard on yourself.

Keep things simple and straightforward. If your budget is too complicated, you will quickly abandon it. There are several budgeting tools ranging from simple worksheets that can be downloaded free of charge from the internet and customised with spending categories ap-

propriate to your lifestyle, to more sophisticated personal finance software such as Quicken. The key is to find the right tool that works for you.

How much is left?

Ideally your expenses should be about 60 to 70 percent of your income; but for most individuals and families, this is just not possible. A good rule of thumb is to take out at least 10 percent for savings up front. Pay yourself first; if you wait until the end of the month there will be nothing left.

Have it direct-deposited to your savings account, money market account or to your mutual fund. Of course the yield on the savings account will be minimal. Wherever you decide to keep your savings, make sure you put money into it every month. Small amounts add up and you will be surprised that these savings will make a big difference for you later.

Start by setting specific goals for yourself such as enrolling on a course, making a down payment on a property, or taking a family holiday. Remember we talked about goal setting last week and how without this you cannot achieve anything. Focusing on set, achievable

goals will give you something to work towards and help you stay within your budget.

Share the Responsibility

Don’t be the only member of your household concerned about your budget. If you are working hard to save, but your spouse is spending excessively and in debt, your budget won’t make much sense. As far as possible plan together for the family’s goals so that a plan can be put in place to work towards achieving them. If the entire family shares the responsibility for the budget, everyone can cut back just a little and make a big difference.

Pay Down Debt

Sometimes credit card or other expensive debt can seem like it will never go away. You cannot wish your debt away. If you include this expense in your budget and pay down more than the minimum balance and of course make more significant payments when extra income comes in you will begin to bring your debt under control.

Budgeting is worth the effort and is one of the most effective tools to help in your quest for financial success. For young people who start to keep a budget, it is a habit

that will serve them well throughout their lives. Growing savings, reducing your debt and beginning to invest can help you down the road to financial security. This can all start by simply creating a budget and sticking with it.

Instagram and Twitter: @mmwithnimi,
Facebook and Google+:
‘Money Matters with Nimi’.
www.money matterswithnimi.com, or send us an email info@money matterswithnimi.com

Nimi Akinkugbe has extensive experience in private wealth management. She seeks to empower people regarding their finances and offers frank, practical insights to create a greater awareness and understanding of personal finance.

For more personal finance tips, contact Nimi:

Email: info@money matterswithnimi
Website: www.money matterswithnimi.com
Twitter: @MMWITHNIMI
Instagram: @MMWITHNIMI
Facebook: MoneyMatterswithNimi

If you are working hard to save, but your spouse is spending excessively and in debt, your budget won’t make much sense