

Budgeting and Cashflow

What is a budget?

A budget is simply a plan that works out how you will manage your income and expenses. Establishing and maintaining a budget is a powerful way to control your money.

Why should I have a budget?

Having a budget in place allows you to see how much, and when, money is coming in and going out, i.e. where you are spending your money. It helps you ensure there is enough money to cover your expenses when they fall due and is an effective way to make sure you are not spending more than you can afford. More importantly, a budget can help you work out how much of your income you can put towards saving for your future without impacting your everyday needs.

Who needs a budget?

Everyone needs a budget.

Some people believe they either don't have enough money for a budget, or they don't know where to start. Others decide not to start a budget because they believe they already have enough money, and think a budget will restrict their spending and mean they will have to go without. Both are incorrect.

Everyone can benefit from having a budget. The purpose of a budget is not to make you go without. Nor is it designed to force you to save as much as you can. A budget simply allows you to manage your money in a more controlled and effective way and to allow you to understand where you are spending your money.

Rather than dictating what your money is spent on, a budget can help you decide what you want to spend your money on, and how much you can save.

How do I start a budget?

A good starting point for a budget is to write down your normal income and expenses over the period of a month, or say, three months. Income can be grouped into income you earn from work, and income you receive from investments or other sources. Similarly, expenses can also be grouped into categories such as groceries, clothes, entertainment, and so on. This makes it easy to see exactly where your money is being spent. We have a number of tools to help you with your budget, including a special calculator that we would be happy to take you through.

Remember, a budget is a personal thing, and *you* should choose how much detail you want to include in it.

Making your budget work

The step-by-step guide below will help you build a budget that works best for you.

Of course, if you have combined expenses with a partner, it is important that you work it out together.

1. Choose a timeframe for your budget

Choose whether you wish to budget weekly, fortnight, monthly, or on another time period. Many people choose to budget on a period that matches their pay period. This makes it easier to match regular expenses with the money coming in.

2. Work out your total income

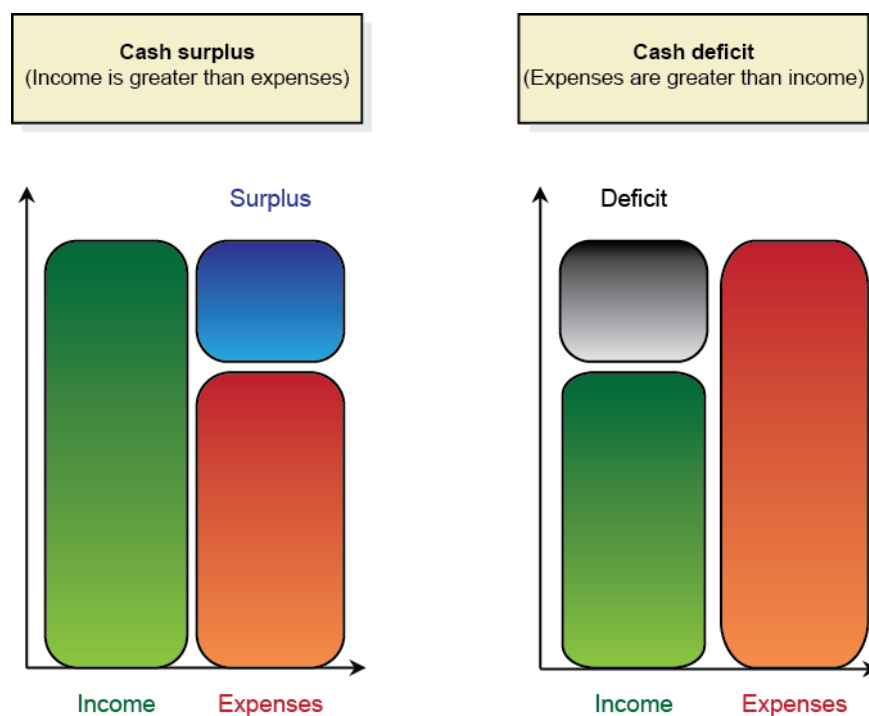
It is important to know exactly how much income you receive. This influences how much you can spend. Include any income you receive from investments, investment properties, and other sources, as well as your income from working.

3. Write down all of your expenses

Document all of your expenses, including amounts you pay towards debt. Having a clear picture of where your money is going allows you to calculate how much you can afford to save. It also helps you identify areas where you are spending too much.

4. Work out your surplus or deficit

Subtract your total expenses from your total income. If your income is greater than your expenses you will have a 'surplus'. If your expenses are more than your income you will have a budget 'deficit'.



5. Double check your budget is accurate

Once you have worked out your surplus (or deficit), check whether you think your budget is accurate or not. Does your budget reflect what is actually happening? Is it realistic? Does it say you can save \$5,000 each year, but you don't have any savings? If you think your budget is not quite right, make alterations so it is accurate. You are then more likely to stick to it.

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6. Track your budget and update it as you go!

Keep track of your expenses and your income and if anything changes update your budget. If something unexpected comes up, add this to your budget, and where possible see if you are able to get back on track without disruption or delay. And most importantly, review your budget thoroughly at least twice a year. This will help you maintain control of your money, and prevent you running into unnecessary cash flow problems.

Sticking to your budget

Here are some helpful hints to make it easier to stick to your budget.

- **Be realistic.** If your budget is too strict it will be harder for you to stick to it.
- **Spend less than you earn.** If you have a cash deficit review your expenses and cut back where you can.
- **Include your goals in your budget.** If are planning an expensive holiday (or other savings goal, for example home renovations, a new car, and so on), include these expenses in your budget and start saving.
- **Review your progress.** Check how much is left in the bank each month and how much you have spent. Compare this with your budget to see how you have fared. If you budget differs from reality, you may need to make some adjustments.
- **Reward yourself.** Managing your money in an effective way takes practice. When you are comfortable that your budget is accurate and you are able to stick to it, reward your hard work and treat yourself!

What if the unexpected happens?

Life always has a way of throwing us surprises. The financial consequences of these should not be understated. Try to keep a big enough buffer in your budget so that when this does happen you will be able to minimise any financial strain.

Remember, if something does happen that turns your budget upside down – try not to panic. Staying calm and working out the best way to manage unexpected circumstances is the best way to regain control of the situation. If you are unsure of how to manage the situation, speak to us. We will be able to assist with your budgeting needs and ensure that you are on the right track to controlling your finances.

How can we help?

Controlling your finances requires a budget. It's important to know where your money is going so we can design the right solutions for you.

You don't need to invest in fancy software to develop a budget. We can help you put together a spreadsheet, or even provide a hard-copy template where you can manually write in your expenses.

We can help you work out a personalised budget that will meet your needs - one you will stick to. We can also suggest things which can make budgeting easier, like:

- minimising bank fees and ATM withdrawals,
- consolidating bank accounts,

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- using internet banking,
- using cash management accounts and setting up automatic direct debit payments, and
- consolidating personal debt.

Once we have worked out a budget, we can help track and review it on a regular basis, and make any adjustments where necessary.

If this sounds like something you need to explore, or review what you already have, please feel free to fill in the form here: <https://www.fasttrackwealth.com.au/contact-us/>

Or contact Adam on 07 3263 4123