

# Managing your money

## Budgeting in plain English

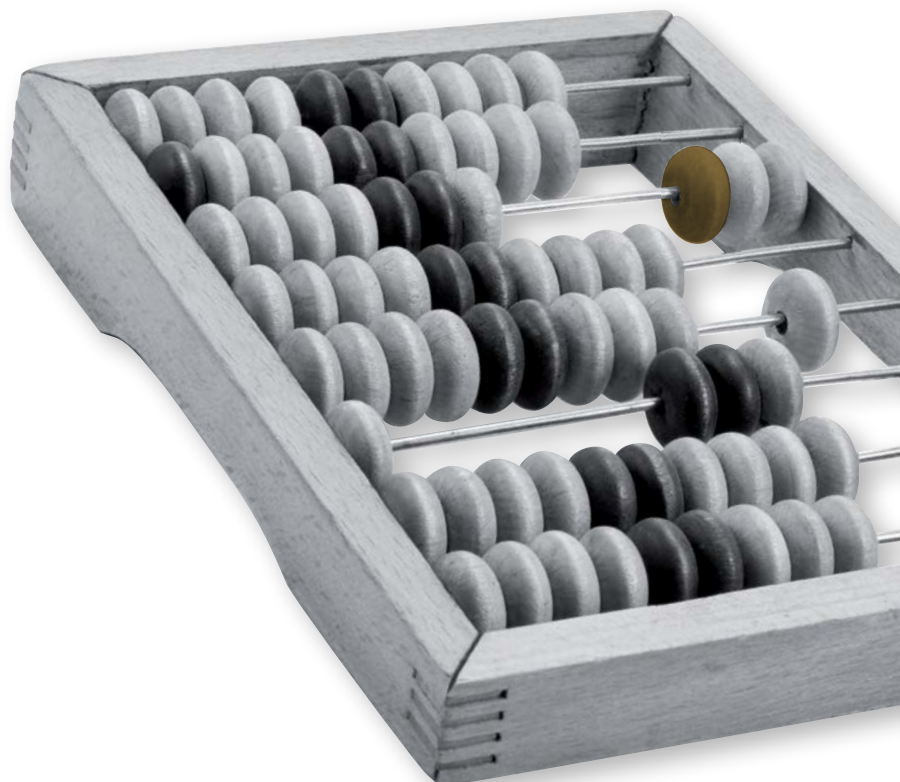
### What is a budget?

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

### Do you need a budget?

A budget allows you to see how much money is coming in and going out. It helps you ensure there is enough money to cover your expenses 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.

Everyone can benefit from having a budget. The purpose of a budget is not to make you go without or to force you to save. It simply allows you to manage your money in a more controlled and effective way and to understand where you are spending your money.



## How do you start a budget?

Write down your normal income and expenses over the period of a month. Income can be grouped into categories such as work and income you receive from investments or other sources. Similarly, expenses can be grouped into categories such as food, clothes, entertainment and so on. This makes it easy to see exactly where your money is being spent.

A budget can help you decide what you want to spend your money on, and how much you can save.

## Making your budget work

This step-by-step guide will help you build a budget that works best for you. If you have combined expenses with a partner, it is important that you work it out together.

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### Choose a timeframe

You could choose a weekly, fortnightly or monthly timeframe for your budget. Many people choose to budget on a period that matches their pay period, which makes it easier to match regular expenses with the money coming in.

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### 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, work and any other sources.

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### Calculate your expenses

Document all 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 may be spending too much.

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### 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 'deficit'.

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### Double check

- Does your budget reflect what is actually happening?
- Is it realistic?

If you think your budget is not quite right, then make alterations so it is accurate.

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### Track and update

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 see if you are able to get back on track without disruption or delay. 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

### 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

If you are planning an expensive holiday (or other savings goal such as home renovations or a new car), 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 your 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 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 – don't panic. Staying calm and working out how to manage unexpected circumstances is the best way to regain control of the situation.



## **AH Financial Services**

Level 4  
20 Bond Street  
Sydney, NSW, 2000

**P** 02 8004 8699  
**E** [info@ahfs.com.au](mailto:info@ahfs.com.au)  
**W** [www.ahfs.com.au](http://www.ahfs.com.au)

**Facebook** [ahfs.com.au](https://www.facebook.com/ahfs.com.au)

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