

A budget is a powerful tool to help you get out of debt and establish some savings. Budgeting is all about financial management.

The more you know about credit, how to manage it and the warning signs that you may need help the easier it is to use the budget wisely.

Your budget **must** be an accurate picture of your finances, not a “best case scenario.”

In making a budget you should:

1. Establish your goals – this is the fun part. Make your goals realistic and time bound. For example, You may want to own a house in 10 years, or have a home deposit saved in 3 years.
2. Collect the information – allow for all of your expenses. Be thorough and honest with your spending and then put all your expenses into categories i.e. food, travel, car, utilities, etc.
3. Allow for weekly, monthly and annual expenses
4. Track your budget i.e. actual expenses and income against budgeted figures. Explain the differences.

The aim of budgeting is to have money leftover for your goals. The difference between what you earn and what spend will give you an indication of whether you need to cut down more on spending or whether you can add more into savings.

If you are spending more than 15-20% of your take home pay on repaying debts, you will need to reassess your plans.

A proper budget will give you three possible outcomes:

1. you can achieve your goal
2. you will need more time to achieve your goal
3. you need to change your spending behavior

Budget shortfalls are often due to too much being spent on non-essentials. To have a successful budget you need to track **all** you're spending on a daily basis. You cannot save when you don't know where the money is going.