

## Budget Plans

Without a proper plan for financial success, it's difficult to know which decisions to make. Creating and sticking to a budget will give you a clearer financial picture and a better sense of control over your money.

### The Benefits of Budgeting

Creating and living within a budget is not as complicated as you might think. In fact, it will make your life simpler. Instead of worrying about living beyond your means, you will be in control of your spending and saving decisions.

To create a budget that will work, you need to follow one simple rule: you cannot spend more than you earn over an extended period of time. Some types of debt are inevitable, like what you'll owe for a mortgage on your home. These debts are managed through monthly payments over a known period of time. Creating a budget will help you avoid the kinds of debt that stop you from realising your long-term financial dreams.

The goals of creating a budget are to:

- Make your debts and expenses manageable
- Reduce debt as quickly as possible
- Ensure your income outstrips your outgoings, allowing you to put something aside
- Help you change negative spending habits

To reach these goals, you might need to boost your income by working overtime or taking on a second job. However, most people find it easier to control their spending. Sticking to a budget plan is a useful technique for doing this.

### Getting Started

To get started on your budget, you will need your payslips, bank and investment statements, bills and credit card statements, receipts, paper and a pen (you can also use the budget worksheet below). It's up to you whether you follow an annual, biannual, quarterly, monthly or per-paypacket budget. That said, it's advisable to start by estimating your monthly income and outgoings to get a clear idea of how much you're earning and spending over a reasonable time frame. Here are the steps involved:

1. **Estimate your take-home pay** by looking at the net (after tax) amount on your payslip. It is easy to be misled into thinking you have more money than you do by looking at your gross income. Take-home pay is the only pay that counts. Bank statements can also be helpful for tracking non-wage income, such as interest, dividends and other earnings.

2. **Calculate your expenditures.** Identify all of your typical expenses and list categories for each. It is easy to track certain categories like bills and loans, but pinpointing exactly what you spend on entertainment, gifts, and other and other personal purchases can be trickier.
3. **Deduct all outgoings from your income.** If you have a surplus, aim to save as much of it as possible. If you have a deficit, you need to cut back on certain expenses. In the end, your budget must be in balance.

## Tips for Living Within Your Budget

- **Focus on savings versus spending.** Reassess your priorities. Put off buying non-essential items today, and set aside that money for a dream purchase down the line. Challenge yourself to exceed the amount you've saved each month.
- **Make sensible cuts.** Review your outgoings by listing them in order of importance, and decide which expenses can be reduced or removed altogether. Reconsider major purchases like home renovations to ensure they're truly necessary and that you'll achieve the best return on your investment.
- **Document every transaction.** Create a system to file and organise your income and expenditures. Consider buying a recordkeeping book to log these transactions. Set up a filing system using plastic trays, a filing cabinet or paper envelopes. File all receipts and invoices in different categories as you process them. Remember to keep your cheque register regularly updated. There are also free smartphone apps and websites that can be helpful for logging your transactions if you prefer to track your finances electronically.
- **Digitise your efforts.** Consider purchasing financial-management software that can help you record each transaction, monitor your savings and outgoings, and manage your accounts online through your bank.
- **Monitor your budget on a monthly or weekly basis.** Check the budget regularly to see if you are on track and to keep you motivated. Compare the amounts spent to the amounts budgeted, and adjust your spending habits accordingly. Be especially mindful of the entertainment category.
- **Set your withdrawals in advance.** Before going to the bank or cash machine, decide exactly how much money you are going to withdraw. Make this money last a designated period of time.
- **Pay off your credit balance each month.** Whenever you use credit, record each charge in your financial tracker or recordkeeping book on the same day it is made. This will make sure credit bills don't catch you by surprise without adequate cash in your bank account to cover them.
- **Work with others.** Tell your partner and encourage them to follow these procedures as well. Once you have created a budget worksheet to properly manage your financial situation, you will enjoy greater peace of mind knowing exactly how you have spent your money. Sticking to your budget may not always be straightforward, but with the right discipline and commitment, you should be able to stay on track and realise your future financial goals.

## Creating a Budget Worksheet

It is important to monitor your budget on an annual or monthly basis, or over a given period. Here is a sample of a monthly budget worksheet:

**A. Income:**

Take-home pay \_\_\_\_\_

Partner's take-home pay \_\_\_\_\_

Interest \_\_\_\_\_

Other \_\_\_\_\_

**Total income: A = \_\_\_\_\_**

**B. Expenditures:**

Property \_\_\_\_\_

Car payments \_\_\_\_\_

Other loans \_\_\_\_\_

Home & car maintenance \_\_\_\_\_

Transport costs \_\_\_\_\_

Education \_\_\_\_\_

Utilities \_\_\_\_\_

Food \_\_\_\_\_

Clothing \_\_\_\_\_

Child care \_\_\_\_\_

Elder care \_\_\_\_\_

Gifts \_\_\_\_\_

Retirement savings \_\_\_\_\_

Other savings \_\_\_\_\_

Religious payments \_\_\_\_\_

Charity contributions \_\_\_\_\_

Subscriptions \_\_\_\_\_

Memberships/clubs\_\_\_\_\_

Entertainment\_\_\_\_\_

Holidays\_\_\_\_\_

Pocket money\_\_\_\_\_

Other\_\_\_\_\_

**Total expenditures: B =**\_\_\_\_\_

**C. Net surplus or deficit (A minus B)**\_\_\_\_\_

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