

Budgeting

Most consumers get paid bonuses during this period and the temptations to overspend are many. The OCP would like consumers use budgeting as a tool to manage spending during this festive season. Drawing up a budget assists in reminding consumers of their obligations, commitments and responsibilities as well as goals their personal goals. Below are some frequently asked questions about budgeting.

What is a budget?

A budget is a plan used to ensure that your money is allocated to necessary expenses. It helps you to:

- Plan and manage your own financial well being
- Develop an understanding of your income and expenditure patterns
- Plan short- and long-term financial commitments
- Plan your future carefully

How do I start a budget?

Before writing down anything on paper, you should think about your goals. These goals could be short-term, mid-term or long-term. Short-term could be a few days or a week, mid-term could be months and long-term could be years.

What does my financial goal have to do with budgeting?

Without a budget, sticking to your financial goals can be difficult. When spending your money, a budget can help you see if you are closer or further from achieving your desired goal.

What rules should I follow when setting my financial goals?

When writing down your goals use the **SMART** principle. This means that your goals must be:

Specific,
Measurable,
Achievable,
Realistic, and
Timely.



Spend wisely

In order for your goal to be Specific, you should be able to name the exact thing that you want. For example: a car. Saying how much the car will cost will make your goal Measurable. Knowing whether or not you have the means to make your goal happen, will help you decide whether or not your goal is Achievable.

Measuring your goal against your current commitments and responsibilities will help you decide whether or not you've made a Realistic choice. Setting yourself a deadline can motivate you to focus on your goal and help you decide whether or not you can reach the deadline in a Timely manner.

After writing down my goals, what should I do next?

Start by writing down all your sources of income and how much money you earn per month. Thereafter, list your needs and wants and prioritise your needs first.

Needs are things you can't live without. For example: food, shelter, rent and clothes.

Wants are things you desire or wish to have and can live without. For example: the latest cell phone or fastest car.

What happens if I don't budget?

Most of the time if you don't budget, you tend use your money buying unnecessary things, leaving you with no money during the rest of the month, which often leads to people borrowing money to be able to attend to unexpected needs. It is not only the lack of financial discipline that makes you get into the debt trap but also some sudden emergencies for which you may not have prepared. Also, there are some people who are struggling to pay off their current debts and still borrow money to maintain an expensive lifestyle.

What happens if I go over budget?

If you go over your budget, do not be discouraged. You can use these 3 simple steps to help you recover and get back on track:

Step 1: Look through your receipts or bank statements to identify why and how you overspent.

Step 2: make necessary adjustments for the next month.

Step 3: keep your savings for emergencies.

Step 4: always track your spending.



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