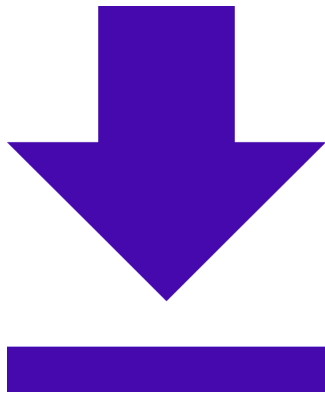




Your 10 Minute Budgeting Handbook

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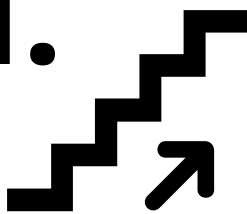
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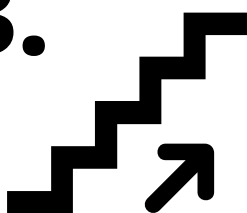
Your 10 Minute Budgeting Handbook



Only 3 main steps:

1.  Income

2.  Expenses

3.  Total

The first step to financial freedom is knowing your personal cash flow. That is, knowing how much of your money is coming in and out of your bank account every week. In order to do this, you would need to create a budget. In short, a budget is a summary that tracks your income and expenses. While people often associate the word budget with 'restrictions', that's simply not the case. It is a financial tool that allows you to objectively look at your financial position, and gives you an easy way to plan how you can achieve your financial goals.

Why is it important?

No one creates a budget for the fun of it (ok, maybe some people do), but it is an important step if you want to achieve financial freedom. It is important for you to know how much money is coming into your bank account every week/month, and how much money is going out.

How to use this handbook

A financial budget can take as little as 10 minutes to complete, all the way up to an hour. Ultimately it is up to you to decide how much detail you want to put (a good budget should be fairly detailed), and how to allocate your money. However, in order to create a successful budget, there is one rule that you must follow:

Be honest with yourself. Brutally honest. The budget is only effective if you are willing to provide honest, detailed information on your income and your spending habits.

Before We Begin...

Before you start analysing your cash flow, you will first need to understand what your priorities and goals are. Do you have a retirement strategy in place? Do you have any long term investment plans or goals? Are you looking to minimise your tax responsibilities? You will need to understand where you currently stand, as well as what you're hoping to be, in order to maximise your financial budget.

Make a list of all the financial goals you want to accomplish in the short and long term. Short term goals should be able to be achieved in under a year (i.e. saving for a vacation) while long term goals could take years, even decades to achieve (i.e. saving for retirement). Remember that these goals are not final so don't stress about them too much, but having end goals in mind is helpful in identifying where your priorities lie.

Creating your budget

While you can use the ancient method of pen and paper to create your budget (we highly recommend you don't do this), it is much simpler and more efficient to use a spreadsheet like excel, or budgeting websites and apps. All you have to do is to input the numbers into the fields and the built-in functions will calculate the budget excess/deficit for you.

To create a budget, there are only three main steps:

1. Calculate your income
2. Calculate your expenses
3. Total up your income and expenses

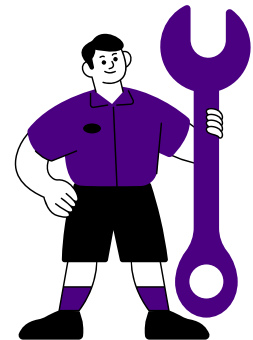
Yes, it is really that simple!

1. Income

How much cash can you expect to receive in your bank account each week? Different forms of income streams include regular paychecks, social security, dividends from investments, and any side hustles such as freelance work. If paychecks are one of your income streams, make sure you record the after-tax amount in budget. Make sure that the recorded amount is the weekly total (if you get paid fortnightly or monthly, divide your paycheck by 2 or 4 respectively).



If your income varies from week to week (i.e. contractor or freelancer), then you should use the average of the four lowest earning weeks in the last 12 months as the baseline income in your budget.



2. Expenses

There are two different types of expenses: fixed and variable. Fixed expenses are financial expenditures that are both mandatory and the amount is consistent. Fixed expenses that you should record in your budget include:

- Mortgage repayment or rent
- Utilities
- Car payments
- Insurance
- Phone bill
- Internet services bill
- Transportation costs
- Student loan repayments
- Credit card repayments
- Emergency fund*



*The emergency fund should be able to cover three to six months of expenses. If you don't have an emergency fund, include a category for "surprise expenses" that might pop up over the month and derail your budget.

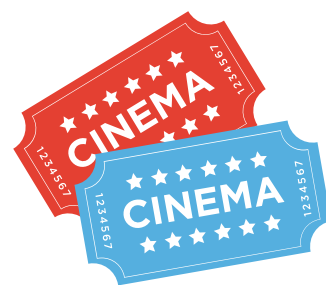
Other fixed expenses might include:

- Regular childcare
- Savings and debt repayment (if you are planning on saving a fixed amount, or paying off a specified amount each week)

In general, phone bills are paid monthly, utilities are paid quarterly, and insurance is paid annually. So make sure you adjust these expenses into their weekly amounts: divide the phone bill by four, the utility bill by 12, and insurance by 52.

The other type of expense you will have is variable expenses. These are expenses that typically vary week by week. Variable expenses that you should include in your budget includes:

- Groceries
- Eating out
- Entertainment
- Personal care
- Miscellaneous



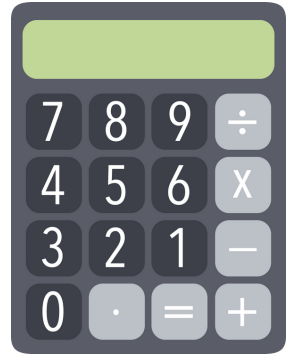
You can use receipts or bank/credit card statements from the last couple of months to help you identify any other expenses.

Once you have identified all of your expense categories, you can start assigning spending amounts for each category. Start with the fixed expenses as they are easier to estimate, and then work your way to the variable expenses. If you're unsure of your typical spending for each category, you can always refer back to your credit card/bank statements from the previous months to help you make a rough estimate.

3.

Add It All Up

Now it's time to add up your income and expenses. If your total income is greater than your total expenses, then you're on the right track. You should think about putting aside the extra cash in an investment account, retirement account, or put it towards paying off any debts you may have accumulated.



You should also consider adopting a budgeting philosophy. An example of a budgeting philosophy is the "50-30-20" rule. This rule states that around 50% of your budget should be assigned to essential expenses (rent, groceries, etc), 30% of your budget should be allocated for wants (eating out, entertainment, etc), and 20% should be allocated for savings and debt repayments.

However, you need to remember that there is no 'one size fits all' budgeting philosophy, so you should adopt a philosophy that works for you. For example, if you're trying to save up for a house, you might want to consider increasing your savings amount and decreasing the 'wants' category. Or if your needs only cover 40% of the budget, you might want to increase the amount allocated for your 'wants' or savings, or maybe even both.

But my expenses are greater than my income?

If your income can't cover your expenses, that means that you are overspending and some changes to your spending is necessary. In this situation, you need to identify which variable expenses you can reduce or eliminate altogether. For example, you might want to reduce the number of times you eat out, or cancel your subscription services such as Netflix and Disney+.

If your total expenses are significantly higher than your total income, you might need to reduce your fixed expenses on top of reducing your variable expenses. Some ways of reducing your fixed expenses include moving to a cheaper place to live, getting a roommate, changing to a cheaper mobile plan, or walking or biking to work instead. Otherwise, you can also consider picking up a second part time job or do some freelance work on the side.

At the end of the day, your goal should be to have your income equal your expenses. That way, you know that all of your income is allocated towards a specific expense or a savings goal.



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General tips and guidelines for your budget

Now that you have created a budget, you should be able to customise it to adapt to your current situation and your financial goals. Here are some tips to help with your budget, although not all of these will apply to you.

1. If your income is fairly inconsistent from week to week (i.e. you are a freelancer, contractor, or commission based), you should create a separate savings category in your weekly expenses to help assist you for those slow weeks.
2. Pay close attention to your budget in the first few weeks to see if you have severely over or underestimated your expenses.
3. Remember the big quarter or annual payments such as the utility bills, insurance, and car registrations.
4. Only use a credit card if you know you have enough money to pay it off at the end of the month. If not, you should avoid it altogether as you will be paying interest in addition to what you already paid for the item, thereby increasing your expenses.
5. If you have some money left over after accounting for all of your expenses, you should budget the excess cash towards your savings goals, not increase your expenses.
6. Alternatively, consider investing the leftover cash into increasing your financial knowledge and skills to make your money work even harder for you. Some topics that you might want to consider include learning how to invest on the stock market, real estate, accounting, or basic economics.

Maximise the effectiveness of your budget

For you to get the most out of your budget, you need to consistently track and record your expenses and income, ideally on a daily basis. This can be done on the same spreadsheet/app that you used to create the budget. This will ensure that you don't overspend and help you identify areas where you are spending recklessly.

If you are struggling with keeping yourself within your budget, you can revert back to the tried-and-tested method of envelopes. In the envelope method, you divide up the cash into separate envelopes. Each envelope represents a different spending category and it contains the exact amount that you allocated for that category. Once the envelope is empty, you either need to stop spending in that category or you will need to move some from another category to cover the expenses.



Remember to review your budget periodically

Life happens. Sometimes great opportunities present themselves that are too good to turn down, such as a career change or moving to a different city. Our priorities also change as we grow and mature: instead of wanting to go out every weekend, your focus might shift into buying a house or saving more for retirement. Make it a point to review your budget about every six months (more if you wish) and make sure that your budget aligns with your current situation and goals.

Remember that the budget should be working for you, not work against you.