



# Financially **SMART**

## GOOD FINANCIAL HABITS: HOW TO BUDGET



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# Words and meanings ●

## Budget

A plan that details how you are going to spend your income.  
A budget is made up of your income (what you earn) less your expenses (what you plan to pay).

## Fixed costs

Costs that are the same every month and do not change.

## Variable cost

Costs that change from month to month.

## Deficit

When you have a shortfall of money because you have spent more money than you earn.

## Surplus

Surplus is the amount of money left over when you spend less money than you earn.

# How to budget •

## Income

### The money you get.

Here are some examples:

- Your salary
- Grant money
- Pocket money
- Overtime income

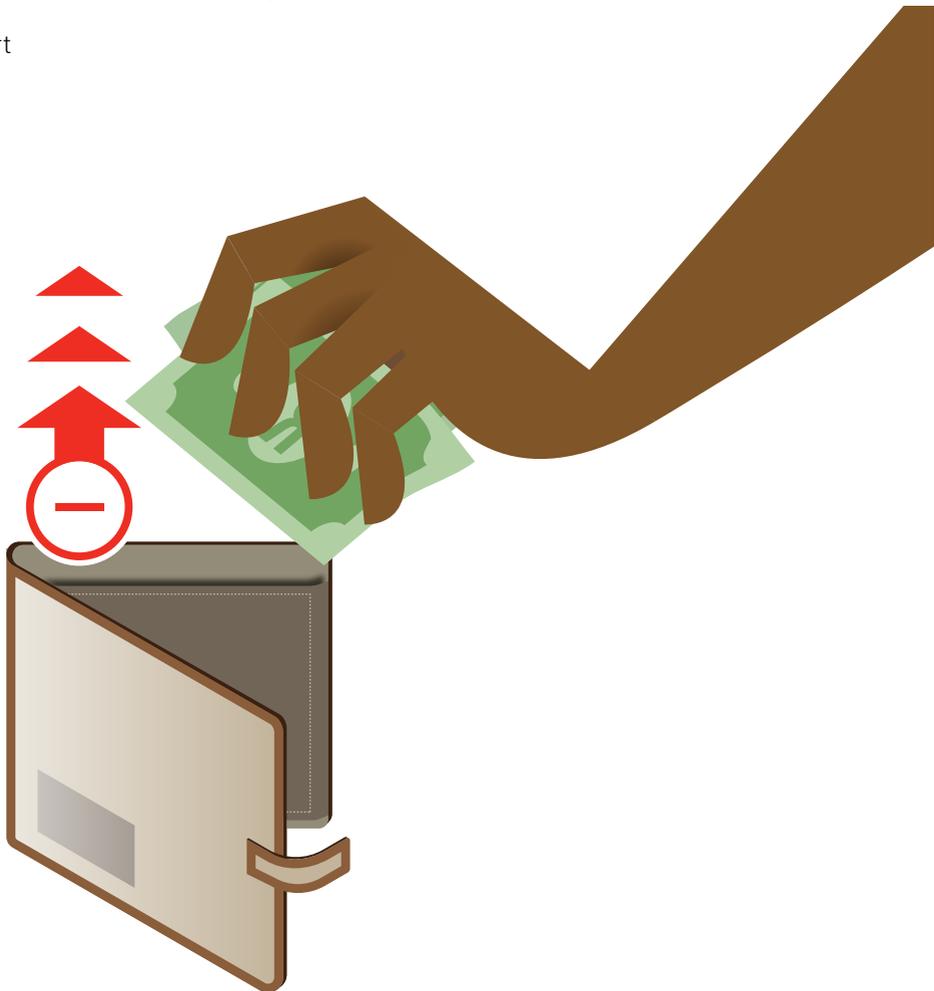


## Expenditure

**An amount of money that you have to pay.**

Here are some examples:

- Rent
- Cell phone (contact/airtime/data)
- Food
- Transport



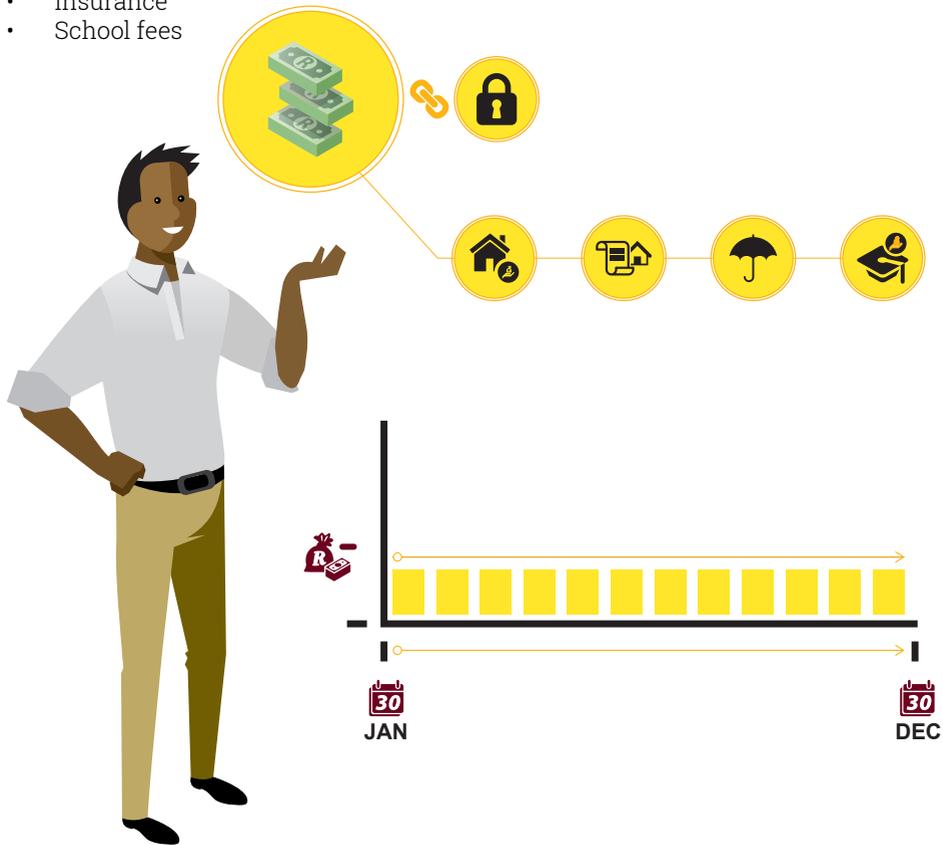
# Fixed and variable costs •

## Fixed costs

Costs that stay the same and do not change every month.

Here are some examples:

- Monthly rent
- Bond payment
- Insurance
- School fees

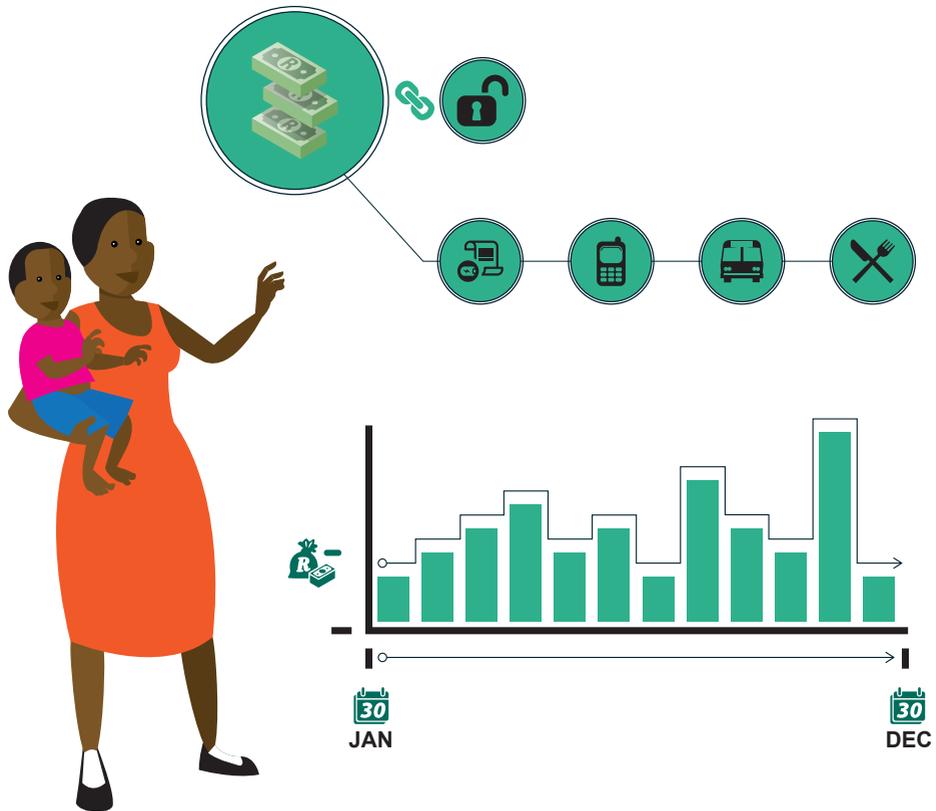


## Variable costs

**Costs that change from month to month.**

Here are some examples:

- Electricity
- Airtime
- Groceries
- Food



# Needs vs. wants •

## Needs

**Needs are the things you cannot live without.**

Here are some examples:

- Water
- Shelter
- Food
- Electricity



## Wants

**Wants are the things you can live without.**

Here are some examples:

- Brand name clothes
- Takeaways
- Eating at fancy restaurants
- Cigarettes



For more information on how to plan for your by setting goals and action plans, refer to booklet "Be in control of your finances".





# Steps to creating and maintaining a budget ●

## How to make a budget and stick to it

### STEP 1

Make a list of all your income

### STEP 2

Make a list of all your expenses

### STEP 3

Review your financial goals

### STEP 4

Add up all your expenses

### STEP 5

Subtract your expenses from your income.

Remember to identify which of your expenses are wants and which are needs

Note: If your total expenses are more than your income you are in trouble and need to cut back on your wants.

## Sticking to your budget

### STEP 1

Do not spend more than you have planned to spend

### STEP 2

Keep track of your expenses

### STEP 3

Update your budget monthly

### STEP 4

List expenses by item and not place of purchase (for example, list each item on the till slip, don't just list 'groceries')

### STEP 5

Pay bills on time

### STEP 6

Compare your budget with actual expenditure each week

### STEP 7

Adjust your budget

Remember to plan for things you cannot predict (unplanned or unexpected events), for example, doctors bills, funerals, school outings, etc. Put a line in your budget for 'unexpected expenses' and decide how much you will save each month for these expenses.

# How to create a budget ●

Let us take a look at the difference between a need and a want.



Vicki works as a store cashier for Edwards clothing store. Vicki earns R2,300 a month. She is a single parent and has one child, Lebo, who is 3 years old. She rents a room in a house. She shares electricity costs and buys her own groceries.

Items	January		February	
	Budgeted amount	Actual amount	Budgeted amount	Actual amount
<b>Income (your earnings)</b>				
Salary	R2,300			
<b>Fixed costs (same each month)</b>				
Rent	R200			
Money for mother	R150			
Crèche fees	R250			
Furniture shop	R150			
<b>Total fixed costs</b>	<b>R750</b>			
<b>Variable costs (changing)</b>				
Clothing account	R230			
Electricity	R90			
Groceries	R500			
Airtime	R60			
Takeaway food	R60			
Transport	R250			
Unexpected expenses (saving)	R100			
<b>Total variable costs</b>	<b>R1,290</b>			
<b>Total income</b>	<b>R2,300</b>			
<b>Less costs (R750 + R 1 290)</b>	<b>(R2,040)</b>			
<b>Surplus or Deficit</b>	<b>R260</b>			

Vicki has a surplus after all her bills are paid. She can save towards Lebo's education.

# My budget and tracking ●

## My budget – month 1

Remember the steps to making your budget!

Items	January		February	
	Budgeted amount	Actual amount	Budgeted amount	Actual amount
Income (your earnings)				
Fixed costs (same each month)				
Sub-total fixed costs				
Variable costs (Costs that change)				
Sub-total variable costs				
Other expenses				
Sub-total other expenses				
Total Income				
Less total expenses (fixed + variable + other)				
Surplus or Deficit				



# FAQs •

## Questions

## & Answers

1. Why should I create a budget?

Budgeting allows you to create a plan for how you spend your money. It ensures that you can have enough money for the things you need and the things that are important to you. It also helps you to keep a record of your income and expenses for the week / month.

2. Why should I follow a budget?

Following a budget or spending plan will also help you to manage your income and expenses. Budgeting is an important step to making sure you control the money coming in and the money you spend. A budget helps you to live within your means.

3. What is the benefit of following a budget?

Planning your finances, get the most from your money, plan for major financial changes and achieving peace of mind through reaching your goals.

4. How often should I budget?

Your income and expenses can change monthly and a budget will help you keep a record of what you spend and on what you spend. You should do a monthly budget so that you can compare last month's budget to this month's budget.

5. What if I am struggling to stick to my budget?

With practice and dedication you will become better at budgeting. Don't give up!



**FSCA**  
MyMoney  
Learning Series

# HOW TO BUDGET



The purpose of this booklet is to help you get a better understanding of the money you get in and the money you need to pay. It will also help you to plan how to use your money better.



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