

## PERSONAL FINANCE

# Budgeting issues and predicament

It's not always easy, but here's how you can avoid some of the pitfalls that tend to happen, in order to manage your money better!

AS we have mentioned previously, a budget is basically a financial plan that you do yourself, which summarises all your income versus expenditures; this allows you to get a clear idea of how your money is being handled. In our last article we discussed some reasons why you ought to budget. Now let's move on to how to do it. Here's the *SaveMoney.my* style of Budgeting.

Budgets typically don't work not because people don't stick to them, but because they are not properly specified from the start. How does one account for everyday snacks, one-off purchases of clothes or home furniture, the bi-annual trip to the car service centre, or even the annual family holiday or balik-kampung trips? Also, people are usually too gen-

eral when it comes to budgeting (e.g. 'car expenses' include fuel, parking, maintenance, tolls, insurance, road taxes etc.); while this is fine overall, you do lose some information about where you could be saving money and where you can think about cutting down.

### What do I need when preparing my own Budget?

Budgeting involves more than just listing down what you think you spend on; it's a thorough critical analysis of your actual spending, and for this you will need the following:

- bank statements, preferably for the last three-six months
- credit card bills for the last three-six months
- if possible, receipts for items paid for in cash (and card too)

→ most recent payslips

**Don't worry about not having all the details, just start filling it with what you can and it will eventually get easier. Should I do a joint budget with my spouse / family?**

This depends on whether you want to combine your incomes and expenditures, and whether you can! Quite often joint expenses are difficult to separate, so you may have to do it together anyway.

### → Be Specific!

Some budgets fail because the categories are too general, e.g. 'household spending' which can encompass everything from the daily necessities of food and cleaning products, to monthly household bills like electricity and water, as well as more long-term



spending items like TVs and computers. If you are specific you will be able to see the breakdown between more categories and identify any spending habits you wish to change.

### → Average your expenditure

Your spending could vary quite significantly from month to month. For example, if you do most of your grocery shopping

on weekends, the months with 4 weekends will have a lower 'household groceries' figure than months with 5 weekends. By taking an average of your spending over several months (3 or more would be ideal) you can get an accurate assessment of your monthly spending. Alternatively, you can take an average of spending over several weeks and fill in an average weekly amount.

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