Budgeting Made Easy

Tools, Tips and Information for All Age Groups to Budget your Way out of Debt

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The purpose of this eBook is to provide general tool, tips and information for people across all ages interested in budgeting their way out of debt. Because this eBook serves as a guideline to the general public, the author does not hold himself liable if the reader is not able to obtain the outcome they expected. It is understood by the author that the reader uses the material of this eBook on their own free, merely as a guideline. We hope and trust that you find the material here beneficial and if you wish to communicate with us – our contact details are available on our website, thank you.

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Who is this book meant for?

Majority of the general public knows what it feels like to live on a shoestring budget at some point in their lives. I also used to live on a shoestring budget and the most important words here are “used to”.

If you follow the advice given in this book, you too will no longer need to live on that shoestring budget. I know what it feels like to have more expenses then income. I know what it feels like to want something and not have the money to buy it. I know what it feels like to want the best but not be able to afford the best. The worst feeling is when want to give your family the best of everything but don’t have the money to fulfil such a goal and you have to settle for second best, or in some instances, even that costs too much. I knew those emotions all too well, and after studying my surroundings carefully, I realised that the average man on the street has also felt and experienced everything that I had to deal with as well.

When a person is tired of their financial problems they do one of three things:

1. They get depressed and angry with the world, become bitter, and always complain about their shitty financial situation. Therefore, always feeling sorry for themselves.
2. They make up their mind that they need to do something to make their situation at least a little more bearable if not better but never really do anything at all. Therefore, becoming the masters of procrastination.
3. Or, they make an effort and try to find ways to improve things and start asking people for advice and look for reading material that can help find ways to improve their situation.

If you look at the people in point (3), they often find information and ways to help improve their financial problems but the advice offered seems to be unrealistic or invalid in their country. For example, if you are thinking about cutting costs, you could get rid of your car and take public transport to work or buy a bicycle and cycle to work and back home. I know for a fact that some books and online reading material on the Internet actually give this kind of advice. I know this because when I was looking to cut my costs down, I had to read things like that.

Well, let’s look at that piece of advice for a minute. Yes, it is good advice and yes it will help to sharply drop your monthly reoccurring costs like fuel, maintenance and insurance costs. But the problem is (and this is a big one) that this advise seems incredibly drastic, unrealistic and extremely inconvenient.

What if public transportation doesn’t go that way, what if it’s not safe to use any other means of transport except your own car, what if you work unusual hours, what if the drive to your work premises is 30 minutes away? If you take 30 minutes to drive to the work premises, can you imagine how long it will take you to cycle there? What if you are no were close to being fit enough to even consider such a task? Getting rid of your car technically speaking might help to drop your ongoing expenses but the advice just seems to be a bit drastic and unrealistic.

Well, this book is designed to be user friendly, practical, realistic and achievable to any man or woman on the street. I hope you enjoy reading this short book and use the advice and techniques mentioned here because I practise what I am preaching here and every bit of my advice has helped me out. I wanted to share my experiences and findings with the world so that everybody can

benefit. I also worked hard to make sure this book doesn't become longer than 50 pages because if the average man on the street is anything like me, we don't have time to waste and we want the information that we need quickly so that we can take care of other more important matters in our lives.

Best of luck to you!

How to do your Budgeting?

Learning Budgeting is an absolute necessity and is the first step to achieving financial freedom. There is no two ways about this. Now, if this sounds like a boring, time consuming and confusing task to accomplish; think of it this way, without budgeting, you have found yourself in the financial situation that you are in now. So, what harm can it cause to take learning Budgeting?

The first step to financial freedom is to sit down and ask yourself: "How badly do you want financial freedom?" This might seem like a pointless task and the answer to that question might be obvious but you need to ask yourself this because as the days go on and you are trying to budget, life is going to throw you unexpected curve balls and just because you had time yesterday to work on your budgeting, that doesn't necessarily mean the you are going to have time today, tomorrow or any other day for that matter. But that is exactly the reason why you have to ensure that you always make the time to work on your budgets.

Try to at least work on your budget before going to bed, no matter how tired you are.

Even if that means staying up late one night because you were so busy doing other more important things in your day. Fine, go to bed late, have one or two hours less sleep if you have to but stay committed to working on your budgets <u>every single day</u>. Every time you work on your budget, this takes you one step closer to becoming debt free and <u>becoming debt free is directly related to becoming financially well off</u>.

It's only when you properly budget, in the way illustrated in this book that you will learn just what you can and can't afford. It's only when the truth is staring right back at you in black and white, then you will understand just how good or bad your situation really is. Sometimes, a harsh wakeup call is just what we need.

Sometimes, the reason you aren't financially free already is because you were misinformed about certain matters of money, had a lack of self discipline, you lacked commitment or you are just plain lazy to make the correct decisions when it comes to matters of money.

Whatever the reason is, you need to come to terms with the cause of the problem and that cause is you. It's a harsh piece of truth to swallow but you needed to hear that from me because no one else will tell it to you like it is. So, what does that mean? Well, if you are the cause of the problem then surely if you fix yourself then the financial problems will be eliminated as well?

The answer to that is yes, without a shadow of a doubt. Since you are the cause of the financial turmoil, you are also the solution to any form of financial freedom. It all starts with you and it will all end with you. Budgeting never has to feel like a boring, time consuming and confusing task. Once again, everything revolves around you. If you are committed to this plan of financial freedom, then there is no way that it can't be achieved.

Another harsh piece of reality that you need to come to terms with is <u>the length of time that it takes you to achieve your goal of financial freedom is directly related to how badly in debt you really are</u>. This means that it might take one person 3 months to realise financial success and it might take another person 3 years. The reason is obvious; one person's financial situation might be completely different to another person's financial situation. There is no magic bullet to fixing this problem. It

takes time, commitment and persistence from your part to see this plan through. Now that we know the importance of budgeting, let's learn how to achieve this.

Budgeting is a goal on its own and it's the bigger picture. To accomplish this goal, you need to break this task into smaller more achievable tasks. So, let do that...

The first goal is to identify all your income and place this information in one portion on a desk. If you are an employee/ employer of a company, this should be easy; all you need is your pay check statement. If you are an entrepreneur with your own business, you should still have your own pay check. However, there are some businessmen and business women that have their own businesses and don't design their business to provide them with a monthly pay check. This could be because they have not properly defined their business or there is no set income figure.

If you are guilty of not providing yourself with a set income figure when you can do so then this problem needs to be corrected as soon as possible for two reasons. Firstly, it plays a vital part in your plans for financial freedom. Secondly, it is good business practise for your company.

If your field of work dictates that there is no set income figure, then when calculating your budgets, you need to use the lowest possible income figure. It is always best practise to use the worst case scenario in calculating your budgets and in forecasting future figures in your budgets. The reason for this is because; you are planning for the worst possible situation that can arise. You might be asking why, well if you plan for the worst possible outcome and you don't encounter the worst possible outcome, then you end up having spare cash.

If you plan for the worst case scenario and you encounter the worst case scenario, then you are still fine because you properly planned for it and have money allocated for it. It's a double winning situation for you.

Once all your incomes are allocated and documented, the next step is to list of all of your expenses.

Break this down into two types of expenses; the reoccurring expenses and the non-reoccurring expenses. Examples on reoccurring expenses are your bond, car repayments, insurances, etc. Non reoccurring expenses are things like; purchasing that flat screen television, buying tickets to the soccer game, etc.

Now that you have listed all of your income and all of your two types of expenses, the next step is to calculate what amount of your money you are spending on yourself. This is usually one of the biggest eye opening experiences that a person has when they are doing their budgets. Now that you are budgeting your use of your money, it's time to go back to the basics and give yourself an allowance, in the same way that your parents use to give you one. The benefits of this are incredible because if you give yourself an allowance, take that allowance out at the end of the month and use that money on whatever you want. But, remember that if you finish the money before your next pay check comes in then, you just have to wait till the next pay day. When illustrating your money for entertainment on your budget, refer to this amount as "Allowance".

If you can, get a print out of your last month bank statement and use that to identify all the money going into your account (your incomes) and all of the money that comes out of your account.

The next step is to take the time and write of all of the information down, or if you got a computer, take the time to type all the information out properly. I know what you're thinking, "This is seems so pointless to write or type everything out, why should I, I know what is happening in my accounts."

Well the truth of the matter is, you don't know as well as you think you do. If you did, you wouldn't be in the mess that you're in. Secondly, taking the time to write or type all of this information out neatly and properly is an indirect message to your sub-conscious mind that you take this whole process seriously and it means a lot to you.

Also, think about it for a second, you should take your time and do this work properly because this is not a once off task. This is something that you are going to do on a monthly basis. When you update your information monthly, then only do you see the changes in your accounts and in your finances and as time goes by, you will see the benefits on paper of all your hard work, perseverance and self discipline that you exhibited. Also, by doing this, you will see that you are moving forward in your life and that can be extremely motivational to a person as well.

The diagram below is an example of Mr Wealth's budget:

Monthly Budget		
Year:	2010	
Month:	January	
Opening Balance for this Month:		**-2680.00**
List of Incomes:		
Monthly Salary		10500.00
Part Time Consultancy Business		2550.00
Total Income for the Month:		**13050.00**
List of Expenses:		
Household Mortgage		6000.00
Car and Household Insurance		1000.00
Lights and Water		850.00
Car Repayment		2500.00
Gas for Car		1500.00
Credit Card with XYZI Bank		750.00
Credit Card with 123Easy Bank		450.00
Allowance		850.00
Landline Telephone		400.00
Mobile Telephone		250.00
Clothing Account		350.00
Total Expense for the Month:		**14900.00**
Closing Balance for this Month:		**-4530.00**

Your budget document shouldn't have to look exactly as Mr Wealth's but yours should have the same general structure as his.

If you successfully completed your budget document, congratulations! Now that you have a budget document, let's see how you can re-structure the use of your money to help get you out of the slump that you're in financially.

I'm going to make reference to Mr Wealth's budget document and illustrate all of the different options that are available to you for your own financial crises. Mr Wealth's budget document seems more appropriate to use as an example because as you can see, he is in bad a situation. At a glance, you can see that there is more money coming out of his account then there is going into his account.

Mr Wealth needs our help badly, so, let's get started.

Mr Wealth's first name is Jason, so let's use his first name. Looking at his budget document, we can see that he has no savings option, whatsoever. This is real bad news, so let's look at his budget more closely and see what we can do, to start providing for a savings option.

Move on to the next chapter to see what are Jason's options to start creating a savings plan in his monthly budget.

Budgeting for a savings plan

I'm not going to even bother explaining why you need to save money. The answers to that are pretty obvious and straightforward.

What I will discuss is: What kind of savings plan is required? Where will we keep it? And where will the money come from?

Let's tackle the first question. What kind of savings plan is required? I prefer having at least two types of savings plans. A long term and a short term savings plan. A long term saving plan could account for something like; saving for that new car you wanted, saving for a new house, saving for a wedding, etc. While a short term saving plan can be; saving for a television, saving for a set of golf clubs or saving for a holiday. Depending on your needs, your savings plans will vary accordingly.

The next question is; where will we keep it? Well, this is a little more complicated then identifying your long term and short term saving plans. Keeping the money under your bed is a definite no, no, no. Your two savings plans require at least two separate and completely independent banking accounts. The reason for this is because of the nature of the accounts. Let's explain this in greater detail. There are literally thousands and thousands of investment accounts that are provided by many banks to you. They are all designed to cater for the different needs that people might have, the different personality traits that we all have and the different goals we have.

For example; you can hold an account where you earn interest on a lump sum of investment, or an account where you will deposit money into every month, or an account where you will deposit money at random periods or you might want an account that will allow you take out your money whenever you require it. Just as there are different types of accounts available to a person, all these accounts also offer different types of interest rates.

This brings us back to the question of where will we keep it? Both the long term and short term savings plans require you to follow the same set of rules in identifying which accounts that they should be kept in. Firstly, identify the different banks that are available at your disposal, make a list of them. Then, go to them and get a comprehensive list of all the different savings accounts that they provide. Identify the rules that they have for possessing that account and write down all of the interest rates that each savings account provides. All of this might take up your time and you might feel too lazy to get the answers but remember, <u>an important step to wealth is reaching the point in your life when your money starts to work for you and you are no longer working for your money</u>. I promise you that all of this extra work on your part will make the difference in saving 13 000 bucks for your holiday instead of only reaching 11 000 bucks in your savings account that you were originally thinking about using. Ninety percent of the time, you will discover that the bank that is the best option for your short term savings plan is not necessarily the same bank that you should keep your money for your long term savings plan either.

By the way, be careful in deciding which account you want to keep your account in, for example, it makes little sense to keep you money in a six months fixed deposit account if you planning on saving for a holiday that comes up in 5 months time. If you decide to remove your money before the maturity date, you might be liable for a penalty clause fee and lose out on some vitally important potential interest earning. Careful identify your short term and long term savings needs and then

decide which account is best for you. Make sure you properly find out about any penalty fees for taking out all of your money when the time calls for it, so ask questions with each bank and always read the fine print. It might take you longer to make a decision but at least you can sleep better at night knowing that you made the best decision possible with the information that was at your disposal.

And now finally, the last question, where will the money come from? To answer this, your first step will be to look at your budget. To find ways of achieving this, we will look into the Jason's budget explained earlier in this book. The different options available to him in finding money for each of his savings plans will apply to anyone reading this book.

To see ways of fine tuning your budgets, I would advise firstly creating a monthly budget forecast and then monitor your usage of money for at least three months before deciding ways of fine tuning and cutting expenses. The reason I say three months is because the amount of money you spend during November might be less then what you spend in December. Or you might spend more money in February because of Valentine's Day. In this way, if you monitor your expenditures more carefully over a three month period, especially relating to your monthly allowance, you might be able to make a more informed decision of whether you can successfully make do with slightly less every month or maybe you realise you are over indulging on certain luxuries every month and you can make do without them. By monitoring your allowances especially over a three month period, you will find that you did not cut yourself short by too much on your entertainment, when you do decide on giving yourself a smaller allowance.

Jason Wealth's budget doesn't even cater for any type of savings plans. Let's look at his budget again:

Monthly Budget		
Year:	2010	
Month:	January	
Opening Balance for this Month:		**-2680.00**
List of Incomes:		
Monthly Salary		10500.00
Part Time Consultancy Business		2550.00
Total Income for the Month:		**13050.00**
List of Expenses:		
Household Mortgage		6000.00
Car and Household Insurance		1000.00
Lights and Water		850.00
Car Repayment		2500.00
Gas for Car		1500.00
Credit Card with XYZI Bank		750.00
Credit Card with 123Easy Bank		450.00

Allowance	850.00
Landline Telephone	400.00
Mobile Telephone	250.00
Clothing Account	350.00
Total Expense for the Month:	**14900.00**
Closing Balance for this Month:	**-4530.00**

We have already established that there is more money coming out of Jason's account then there is going into his account. A lot of people out there are in the same situation. So let us take a closer look at fine tuning his budget.

After monitoring his monthly allowance over three months, he realised that he was spending quite a bit of money. Jason visits his favourite restaurant on average, three times per month and spends about 150 bucks each visit. He now decided to visit the restaurant twice a month instead of three times a month. In this way he says 150 bucks each month.

He also goes to the cinema every weekend. Each visit costs him about 100 bucks, that is about 400 bucks each month. He also decided to cut down on this as well. Now he goes twice a month, therefore saving another 200 bucks each month. So, this means that Jason has now become more disciplined in the way he spends money on himself. He looked at his budget and at a glance, he realised he was being irresponsible with his money. He then patiently monitored his allowance over three months to make a more informed decision on where his money is going and how he was going to cut down on his careless ways of spending money. This led to him taking the actions described earlier and as a result, he now found two ways to save a total of 350 bucks each month.

The best part is that he did not cut off completely from the things he enjoyed doing, instead he still does the things that he wants but just in moderation. It's a win, win situation for Jason because he still does the things that he enjoys and he managed to save money at the end, all of this was possible because he was committed to becoming debt free, he was patient with himself in identifying the most realistic approach to take to save money and he practised self discipline.

Jason is quite proud of himself and he should be, as a matter of fact, these actions have inspired him to find more ways of saving money.

So far, we have limited the amount of money we spend on entertainment, that is, we have practised self discipline in the way we spend our monthly allowance. The next step is to find cheaper options on reoccurring expenses. Let's elaborate on what that actually means:

Jason's household mortgage is 6 000. There are instances when a person can move their mortgage from one bank to another bank. Do your homework; see if there is a different bank that you could save money with by moving your mortgage repayments to a different bank. If this is the case, make the move. But complete your homework first, find out the following:

1) Which is the best bank to go to and therefore save more money?
2) What are the terms and conditions of making such a move with both the banks in question?

3) Are there any penalty clauses for making such a move?
4) Are there any penalty clauses of any nature with the banks in question?
5) And finally, sit down and carefully calculate whether or not you will be saving more money in the long run with the bank that you want to move to?

During your investigation you might come up with more questions that you need answers to. It all depends on your unique situation that you find yourself with, your own budgets, so don't be afraid to ask the questions that you need to. By answering some of the questions above, you might discover one of two things; you are in for quite a huge saving in the long run or you might find that the move will actually cost you more then you initially thought and in such a case maybe the move to a different bank is not the smart option.

You know what they say; "Better the devil you know then the angel you don't know!" If you find that the move to a different bank is the wrong option, don't think that all that time and effort was a waste of your time. That is furthest from the truth, the truth is that at least when making this observation you realised that that particular approach to becoming debt free, is not the way to go.

During the process of becoming debt free, it's important to completely exhaust all your options to get the maximum on your returns.

Jason on the other hand did his homework and found another bank that will be a better option for him to have his mortgage with. His new mortgage repayments will work out to 1000 bucks cheaper than his original bank. That means that his mortgage repayment will now be 5000 instead of 6000. However, he can be even smarter in his approach. All this time he was paying 6000, however if he pays 5500 instead of 6000, that means he will be in a much stronger position financially then he ever thought possible. So what are we actually talking about here?

If he pays 5500 instead of what he and the new bank initially agreed upon (this was 5000) then he will be able to free his mortgage repayments literally years before the expected term of the mortgage and he will still be saving 500 bucks each month. This means that by paying more than the agreed amount, he will still be saving 500 bucks each month and he will be able to free his mortgage years before he originally thought because all that time he would have paid more than the minimum payment agreed upon. Once again, it is a double wining situation for Jason.

A certain percentage of the monthly mortgage repayment that you pay is purely bank interest and bank charges and levy fees and the remainder of the amount go to actually lowering the principal amount owed by you. In Jason's case, his repayment is now 5000, he won't tell the bank to increase the monthly instalment from 5000 to 5500 and he will just make additional payments of 500 every month. This additional payment of 500 will go straight into lowering the principal amount and that makes a huge difference in freeing your mortgage months or ever years before the expected end of term date. However, once again, I cannot emphasise this enough, do your homework and find out if the bank have any terms and conditions to you freeing your mortgage before the expected end of term date, or if they have any penalty clauses for freeing your account before the date expected. Always do your homework properly before making any permanent and especially big financial decisions. Jason did his homework and he has nothing to worry about. In fact, he is smiling all the way to the bank.

The biggest expenses were tackled and now let's get to the second biggest expense, the vehicle. Jason has now decided to get quotes from as many car insurance agencies as he can, to see if he can lower the insurance repayments that he has at the moment. When getting quotes for insurance, make sure you cover some of the important areas mentioned below:

1) Make sure the insurance packages from all the insurance companies that you got quotes for, are equal or better then you current insurance package.
2) Word of mouth can be extremely beneficial in this situation so find out from other people, what type of service delivery they got from that insurance company.
3) Make sure you get written quotes and don't lie to the insurance company. If you do lie to them about anything, they might use that as a reason to validate not paying you out in the case when you were expecting them to. They could turn around on you and say that you went against their terms and conditions. So always read all quotes and documentation that they might send you and always read the fine print.
4) Finally, you should know this by now; do your homework thoroughly.

Jason has done all that was required of him and now he is with a new insurance company. Previously, he was paying 1000 for Car and Household insurance, now he pays just 650 and best part is that his new insurance cover is better and more comprehensive than the old one. He is now kicking himself for not doing all these things earlier, think about all the money that he has wasted thus far and all the money that he could have saved today if he used this approach earlier in his life.

My personal belief and reply to such thoughts are; "Better late than never!" What is important is that you found the errors and that you are making the changes now.

He also likes to drive fast and loves his fast car. He drives fast in the mornings because he is always cutting it close to being late for work. However, if he makes the effort of being more responsible and getting up a few minutes earlier every morning, than there won't be a need to speed of like a maniac every morning. If he doesn't drive as fast, than he won't burn as much fuel, bearing all of this in mind, he now wakes up earlier and drives more carefully on the roads. As a result, he has changed his driving technique and now saves as much as 10 percent every month on fuel.

He could save even more money if he chooses to sell his car and buy a cheaper more economically fuel efficient vehicle but our friend Jason is not prepared to take such a leap. If he does decide to do this, he could save as much as 1000 bucks collectively on vehicle repayments and gas for the vehicle. However, our friend Jason refuses to depart with his beautiful car. Instead, he will try to find other ways of saving money and hopefully, there won't be a need to get rid of his car. However, when he completes his financial evaluation and if he finds that things are still not looking good after exhausting all possibilities, than the final step will be to get rid of the car. Now that is commitment for you, don't you think so? So, why don't you follow Jason's example and get started with your own changes as well?

Jason also spends about 850 on Lights and Water. Even this bill can be reduced if he puts his mind to it and is committed enough. There are a number of ways he can reduce his water and electricity bill. He can reduce the water portion of his bill by doing the following:

1) Fix all leaking taps to prevent wastage of water.

2) Wash your car in the weekends with a bucket of water and don't use the hose. This not only helps to reduce wastage but it also saves you money instead of going to the carwash.
3) Use a dishwasher to wash your dishes, dishwashers use less water.
4) Never leave your tap open while brushing your teeth, you are wasting water unnecessarily.
5) Take an empty 500ml bottle and fill it up with water, place the bottle inside your toilet tank. This means that your toilet will use 500ml less water every time you flush the toilet. Therefore, if your toilet is flushed 8 times in a 24 hour day, you would have saved as much as 4 litres of water for that day.

There are countless other options you can use to lower your water bill and you can research them on the net as well. He can also reduce the electricity portion of his bill by doing the following:

1) Making sure that the only lights that are on in his house are lights to rooms that he is in at that moment. If nobody is in a particular room, than that room light should be off.
2) Switching of his geyser every morning before he leaves work and turning it back on when he gets back home.
3) Using energy efficient light bulbs instead of the regular light bulbs.
4) Don't leave your home computer on for long periods if it is not being used. If it must stay on, at least turn off the monitor as the monitor draws a lot of electricity.
5) Never leave electrical appliances on unnecessarily.

Once again there are many options to lower the electricity portion of your bill and you can find them on the net as well. These options won't cause any form of extreme adjustments on Jason's current lifestyle and is not asking much of him or even you for that matter. Taking these and other kind of precautions can drop your water and electricity bill between 10 and 25 percent, maybe even more. For this example, let's assume that Jason manages to save a modest 20 percent every month by making these small adjustments. That means his bill will drop from 850 to 680 every month. For this example, we will assume that Jason's mobile telephone bill, credit card bills and clothing account bill cannot be lowered, which leaves us with only the landline telephone bill.

Firstly, look at all the different landline telephone networks in your area. Get quotes on their package deals. Look at which option ties up best to your needs and compare what the costs will be to go to that package compared to what you are currently paying. Nine out of ten times, you will find that you are paying too much or if you are on a different package, you will find that the package deal you are on does not properly meet your needs. For example, let's assume you make local calls during off peak times. Maybe a telephone network is available that offers free local calls for off peak hours for a flat monthly fee. If that monthly fee costs less than what you are currently paying, it would be cheaper for you to consider using this network instead. However, you need to beware of any additional costs or transfer costs that might be associated with switching between networks or staying with your current network but switching to a different package. For this example of Jason's budget, let's assume he stands a chance of saving 20 percent on switching to another telephone network. He also has to pay 150 levy charges to compensate for switching to another network. This adds up to a larger payment for the first month but in the long run, he is making a saving of 400 to 320. Multiply this over 11 months and it makes a considerable saving that is worth the effort.

Wow, we have managed to make a lot of small savings for Jason in different areas of his account. To truly appreciate the value of all this hard work, let's compare the old budget to what his new budget will look like and see how much of surplus money is available to him;

Old Budget		
Monthly Budget		
Year:	2010	
Month:	January	
Opening Balance for this Month:		**-2680**
List of Incomes:		
Monthly Salary		10500
Part Time Consultancy Business		2550
Total Income for the Month:		**13050**
List of Expenses:		
Household Mortgage		6000
Car and Household Insurance		1000
Lights and Water		850
Car Repayment		2500
Gas for Car		1500
Credit Card with XYZI Bank		750
Credit Card with 123Easy Bank		450
Allowance		850
Landline Telephone		400
Mobile Telephone		250
Clothing Account		350
Total Expense for the Month:		**14900**
Closing Balance for this Month:		**-4530**

New Budget		
Monthly Budget		
Year:	2010	
Month:	January	
Opening Balance for this Month:		**-2680**
List of Incomes:		
Monthly Salary		10500
Part Time Consultancy Business		2550
Total Income for the Month:		**13050**
List of Expenses:		
Household Mortgage		5000
Car and Household Insurance		650
Lights and Water		680
Car Repayment		2500
Gas for Car		1350
Credit Card with XYZI Bank		750
Credit Card with 123Easy Bank		450
Allowance		500
Landline Telephone		320
Mobile Telephone		250
Clothing Account		350
Total Expense for the Month:		**12800**

Closing Balance for this Month:		-1430

Looking at the example above we can identify the following:

- His ending balance on the old budget would be -4530 but on the new budget it would be -1430. A general rule of thumb is the more you rely on the bank's money to take care of your monthly expenses, the deeper in trouble you are financial because you're using money that doesn't belong to you. On his old budget, he was using 1850 of the bank's money but in the new budget he is no longer touching a single cent of that money. As a matter of fact, he has a surplus of 250 at the end of every month. This means that if he leaves that 250 in his account, in six months time he will finally be out of the negatives, no longer do owe the bank money on his personal account and he will have a surplus savings….. Yes, savings in his account.
- But he stands to gain more money, at the end of another anniversary year of employment at his job; he is up for an annual increase of at least five percent. So, if he plays his cards right and continue to save, he savings will go up from 250 to 775 every month.
- All of the above positive changes can still be implemented without completely stopping all of his entertainment. Actually, he will always get to do the things he loves most, just in very, very slight adjustment to the way he spends money.
- Now that he has a surplus of 775 every month, he can do whatever he feels like with that money, knowing very well that he is not living beyond his means and can survive every month. However, there are a number of ways he can use that money to improve his financial situation even further.

Let's explore these options:

Currently, he is paying 1200 on credit cards and 350 on a clothing account. That means he has found a way to make do and survive without 1550 of his own money. What if he used his surplus money to help pay of the credit card debt and clothing account debt faster and took the monthly instalment of the three accounts and added it to his savings?

Every month when you pay your credit card instalment, a portion of that money goes to paying the interest on your credit card account and the remainder goes to bank charges and lowering the principal amount. By paying more than the minimum payments due, you are causing the following:

- You are lowering the principal amount due faster
- This means that you are giving the bank less money over the duration of the time that it takes to free your account
- And it also means that you free your debt faster.

With a lot of patience and commitment from Jason's part, he will finally have 2325 surplus funds in his account every month.

This has turned out to be a major turnaround in his finance. From using 1850 of the bank's money he now owes the bank no money (with the exception of his mortgage and car repayment) and now has a surplus of about 2325 every month. That's like getting another increase on his salary….

Jason could apply the same principals he applied to freeing his credit card and clothing account debt to help him free his mortgage and car sooner but I don't feel that this is a good option, for now.

He could take a small amount of this surplus and pay it as additional amounts to those two accounts but most of that surplus will have to go to another kind of account, I am referring to saving and investment accounts.

If you take a closer look at his budget, you will find that he has not allocated any money to a savings account or any form of investments. Primarily because he didn't have the funds to do so, but now he does.

With small changes to his budget; this is what his budget now looks like:

New and Improved Budget		
Monthly Budget		
Year:	2010	
Month:	January	
Opening Balance for this Month:		**3000**
List of Incomes:		
Monthly Salary		11025
Part Time Consultancy Business		2550
Total Income for the Month:		**13575**
List of Expenses:		
Household Mortgage		5000
Car and Household Insurance		650
Lights and Water		680
Car Repayment		2500
Gas for Car		1350
Credit Card with XYZI Bank		0
Credit Card with 123Easy Bank		0
Allowance		975
Landline Telephone		320
Mobile Telephone		250
Clothing Account		0
Savings for Holiday		450
Retirement and life insurance		750
General Savings (Miscellaneous)		650
Total Expense for the Month:		**13575**
Closing Balance for this Month:		**3000**

This is what his budget will look like. It's important to keep in mind that although he is dedicated to his budget plan, life sometimes throws you unexpected curve balls and as such, you might find yourself using money that you didn't expect to use.

It's important to realise when and where you steered wrong (which is why it is so important to work on your finances everyday) and find ways to correct and recover from the temporary slump.

To reward himself; for all the hard work he has done, he increased his monthly allowance from 500 to 975 and after looking at the improvements made in his finances, why not do this? He deserves it and he earned that right.

He has also started saving for a holiday and has put money aside for retirement and life insurance but the most important use of his money is referred to in his budget as "General Savings (Miscellaneous)".

Out of all the items mentioned on his budget list, this is by far the most important item in mind. The sole purpose of this value is to take care of those unexpected curve balls that life sometimes throws at you. By allocating money aside for this, you are ensuring the following:

- All that hard work in your savings and budget doesn't go to waste when you have to pay for an expense that you weren't able to foresee in your budget.
- You don't end up using the banks money and end up going back into the negative balances.
- Even if the money doesn't take care of the entire cost of the unplanned expense, it will definitely help to ease the burden of using the bank's money, therefore less strain on your account.

Let's explain this in the form of an example;

Jason is driving back home from work and gets a tyre puncture. He finds out that the tyre can't be prepared and he needs to buy a new tyre which costs 700. Because he has money allocated for emergency unforeseen expenses like this, he can confidently pay for the new tyre knowing that it won't cause a major dent in his savings and budget planning.

If he didn't allocate money for emergencies, then his personal account would have to fork out the payment of that unallocated expense.

Budgeting for a car

New and Improved Budget		
Monthly Budget		
Year:	2010	
Month:	January	
Opening Balance for this Month:		3000
List of Incomes:		
Monthly Salary		11025
Part Time Consultancy Business		2550
Total Income for the Month:		13575
List of Expenses:		
Household Mortgage		5000
Car and Household Insurance		650
Lights and Water		680
Car Repayment		2500
Gas for Car		1350
Credit Card with XYZI Bank		0
Credit Card with 123Easy Bank		0
Allowance		975
Landline Telephone		320
Mobile Telephone		250
Clothing Account		0
Savings for Holiday		450
Retirement and life insurance		750
General Savings (Miscellaneous)		650
Total Expense for the Month:		13575
Closing Balance for this Month:		3000

Looking at the budget plan above, you can see that Jason is paying 2500 on his very expensive car. He has been diligent in his payments and has reached the point where his car is now a freehold car and owns the car completely.

Now, that he has met his one true love (let's call her Jane) and they are set on starting a family of their own, Jason has had a change of heart and needs to get rid of his car for a more family orientated and cheaper car. Because his car repayment was 2500 that also implies that he was surviving without 2500 of his money.

It's going to be at least a year before he has to buy a new family orientated car, so he can enjoy the feeling for now of not having to lose 2500 of his money every month. Looking at such a positive change to the status of his bank account balance, he has made up his mind not to buy another expensive car again because 2500 is a lot to lose every month.

However, he will need to change the car to make Jane happy. Since he was not using 2500 every month, he is going to save that money every month now. After all, he managed so long without that money; he should still manage without it. Instead, he will place that money into a high interest

earning account every month for a year and after one year of savings, he will use that money as an additional deposit.

2500 saved over a one year period will give you more than 30 000 at the end of your term and that's excluding any interest that you might have earned. If you find yourself in the same situation as Jason, and you also like to trade in your old car for a new car (like Jason), than there are a few things you need to do to ease the burden of budgeting for a new car;

- Since you are going to trade in your car, make sure you firstly get the car in as good of a running condition as you can manage and the body work is just as good. The better the condition of the car mechanically and with regards to the body work, than the better the trade in value of the car.
- Shop around and see which car dealership gives you the best trade in value for your car. Don't be silly and just settle for the first offer you get. Normally, the best trade in values will come from the same place that you would like to buy your car from.
- Sometimes if the trade in values are not good enough, try to sell the car privately. Most cases, the car can be sold for more privately than in a trade in with a car dealership.
- Get your quotes in writing were possible, this holds people accountable for values they promised. Everything is always better in writing.

Now that you know what your car is worth, it's time to shop around for a car. If you are the type of person that is interested in buying a car for the purpose of taking you everywhere you need to go and are not interested in keeping up with the Jones, than there are a few things you should consider in choosing a car;

- Consider the maintenance factor of the car that you are thinking of buying. Remember, some cars are cheap to buy but are expensive to maintain. Some are expensive to buy but cheap to maintain. If you can afford the car and if you can afford the automotive parts that are most common to be replaced in a car, than generally speaking, it is a good buy and you can afford the car. Affordability of a car is not just the cost of the vehicle but also the maintenance of the car as well.
- Think about those vehicles that are manufactured in your country, generally these cars should be more affordable than foreign cars. This also means that automotive spares are more easily available and no waiting periods to get parts for a car because it was manufactured in your country.
- Often, the price you see on a car is not the final price, when you purchase a car there are also additional charges to the car, for example, transfer costs, licensing costs, auto valet service costs additional tax charges, etc. Often these charges can be anything between 5000-20000, depending on the brand of the car chosen.

If you have carefully considered the implications to your budget and the costs and maintenance of the car and additional charges and you can safely say you can afford the car than go out and buy it.

Try to save as much as possible on a car deposit. The more you can save on your deposit, the lower the monthly instalments for you vehicle.

A final factor to consider is the resale value of a car. If you purchase a vehicle with the intension of trading it in to get another vehicle in approximately 5 years time, than purchasing a car with a poor resale value will be a waste of money. If your intensions are to keep your car for more than 5 years than the poor resale value shouldn't matter to you because in 5 years time, you would have got your money's worth out of that vehicle. But buying a car to trade it in again in less than 5 years seems like a waste of your money because you will be losing out more in the long run.

To ensure you don't become bankrupt after buying a car, think with your head and not your heart. Rushing into a big purchase like this can only lead to embarrassment and regret, especially when listening to others' opinions on what you should get. Other people don't know your financial situation so why listen to them.

So, listen to what you head is telling you and you will never have to consider the possibility of your bank repossessing your vehicle.

And finally, look after the car you purchased. If you look after your car, than your car won't cost you an arm and a leg to keep and maintain. If you look after your car, it will look after you as well.

Budgeting for a house

The very first step to take in such a big purchase is to see if you can properly afford such a commitment. If you are looking to purchase a home than you're most probably going to take out a loan? A loan will mean that a large amount of your hard earned money will be paid towards this land and this payment will continue for many, many years to come.

Can you afford to depart with a large portion of your money and can you continue to do so for many years to come? So how much of your salary will go towards this? Well, that differs from country to country. But no matter what interest rate you will get and no matter how much you need, the rules for approaching such a big endeavour are still the same.

1. Calculate your budget and see what you are left with.
2. Meet with your bank.
3. Identify how much you qualify for in a bank (Don't forget to get quotes from different banks) and see if you fall short in meeting such a repayment or if you have more than enough

Let's analyse each one of these steps:

Well, we have already touched on budgeting and if you apply these rules in calculating your finances for a house, than you should know comfortably if you have the money for a house. Be honest with yourself, especially when doing projections. If you lie here, you are only fooling yourself and possibly setting yourself up for a major financial catastrophe.

If you find that you are still in the negatives, than apply the rules mentioned earlier and try to get into the positives. If you are in the positives but the positives just seem to low, then maybe you should maintain you current living conditions until something better comes along.

If the positive values appear to be reasonably high enough, then keep a record of this. You will have to reference that value later on.

The next step is to meet with your bank/s. They will do their own sort of assessment to see if you qualify for a bond and how much do you qualify for. If you find that the bank's assessment and your own assessment don't match than it's time to go back to the drawing board and see what can be done to meet the gap between the two projections.

All in all, if you have exhausted all possibilities with your budget and there is now way that you can meet the gap between the repayment that the bank is asking for and the repayment that you can afford, then it's not the end of the world. You still have other reasonable alternatives such as;

1. You can temporarily rent a place that is a lot lower than the repayment that you can afford. This will give you enough chance to save more money for a bigger deposit and buy a house later on.
2. If you are married or going to share your living space with your partner, then you can calculate what your options will be if you and your partner were to combine your efforts and get a place.
3. If you are looking to buy a property for the first time, there is something called a first time buyers loan (it might be called something different in other countries). This is a special

government loan that the government provides to first time buyers were they get a special discount on available property.

4. Go into banking websites and check their section on repossessed homes or go to one of their auctions. In most cases, these properties that go under the hammer go for a fraction of the cost of what they are actually worth.
5. Look for homes that are sold privately, in that way, you would not have to worry about the added costs of any middle man and you might be able to go further and push the seller to lower the price a bit.
6. Compare buying property to building your own house. Most cases, it actually works out cheaper building your own house than buying a house with the look that you are looking for.
7. Look for abandoned properties that seem to have just a foundation built, find out who owns the property and try to make them a sweet deal. Maybe you will be doing them a big favour by taking the land of their shoulders. You also will benefit because not only will that purchase be a lot cheaper than if a house was standing in that property but also, if the foundation is built, you won't have to add to much more to enlarge the foundation. After all, a large amount of money in building a house is doing the foundation. Buying a property with some foundation already established means that you save quite a bit on that area of expense.

Based on the list you see above, there should be enough reason for you to continue searching for your dream house and not to give up. Remember, perseverance will pay off and something good will always come your way with the right attitude and not giving up.

So, hang in there!

If you were lucky to qualify for a property and afford a house that you saw, don't just rush into signing the papers just yet. There are a lot of options you still need to consider even though you can afford the property. For example;

1. Additional costs with your purchase.
2. Location
3. Security.
4. Children.
5. Climate.
6. Political influences.
7. Neighbours.
8. Plumbing and electrical.
9. Foundation.
10. Termites.

Now, let's go through each of these VERY IMPORTANT aspects;

1. Additional costs with your purchase:

The costs of buying a house or stand alone property don't come alone, meaning there might be some other significant sums of money that need to be paid as well. For example; transfer duty costs, tax, broker fees, legal costs, etc.

Don't make the mistake of underestimating these costs because if we were to add up all of these costs, they can be in the region of possibly 5 – 15 percent of the purchase price as well. Consider all these costs as well when identifying how much you require from a bank.

The last thing you want to do is take out a bond and then take out a personal loan just to cover all these unforeseen costs. That's just going to put you in deeper debt and the next thing you know, you will be back to square one.

2. Location:

Consider the location of the property. How close is the property to primary and secondary schools, hospitals, government offices, police station, shopping malls, your place of employment, fire department, taxi and bus stops, etc? Does public transport travel in that area? Where is the nearest post office?

In certain places, telephone and internet services are not well supported or might not work well, or are just unreliable; find out if the same applies to this location. Also check if that location also frequently suffers from power outages. Candle light dinner is romantic sometimes but losing electricity in the middle of watching your favourite program is not cool.

Based on personal preferences, the proximate distance to the areas mentioned above might result in you changing your mind.

3. Security:

This is a very important subject. Beware, in most cases, if the property is selling for a ridiculous low price for what appear to be no logical reason, then it could be because the property is located in a dangerous area.

Check websites to identify if the location is regarded as a high risk area. Check statistical websites for that location's history of criminal activities. If you can, ask questions from the closest police department about that area. Beware if there are any abandoned buildings located close to you or if there are any squatters in that vicinity. It's sad to say, but that can attract a lot of unwanted attention. Does the property have proper and good fencing? Is there a security system installed in the building? Can you use the services of an armed response team? Does the property have good gates and burglar guards?

4. Children:

If you are considering having a family of your own one day, then consider if the area is conducive for children. How close is the nearest crèche if you decide to use their services? Is the front and backyard big enough for a child to play in? Is there a park, beach, swimming pool, or are there any recreational facilities that your child can use?

5. Climate:

Once again, this is based on personal preference, it makes no sense in buying a place where it is cold and you are the kind of person that enjoys warm weather. You will be miserable 99 percent of the time.

6. Political Influences:

Generally, this shouldn't be an issue, however, there are cases were political influences can make you feel intimidated and unwelcomed if you were to move in to the area. If you are the kind of person that doesn't care about things like that and prefer to keep to yourself and not socialise with the people in the area, then this shouldn't be a problem. Otherwise, you might not want to take the property. Nobody wants to move into an area only to be driven out by the people that don't want you there.

7. Neighbours:

Before buying a property, try visiting the neighbours around the property. Visit as many as you can without running the risk of freaking them out. See what kind of people you might be living close to. If you find that the property is located close to a railway station, airport, chemical plant, sewerage plant, oil plant, etc, then maybe you should look elsewhere (that's if the smell of such places don't put you off first).

8. Plumbing and Electrical:

Analyse the plumbing and electrical carefully. Check the state of the electrical cables and the pipes. Do they require a lot of work and maintenance? Go to the nearest municipal offices and check if the main sewerage pipe for your area is running directly underneath your property and if yes, how close to the service is it?

This is very important because if the main sewerage pipe for your area is underneath you and close to the surface and if the pipe was to burst (and this does happen) then you got a major crises. If you were thinking of doing more renovations in the form of building to extend your main building, then you might not get the municipal approval to lay the foundation because the sewerage pipes are too close to the surface.

This research is also very important if you were thinking of buying a vacant piece of land to build your own property. Nobody wants to buy a piece of land if they find out later that you can't build anything on top of it because there are things going on below the surface that you were unaware of.

Check the plumbing in the toilet. Flush the toilet and see how long the toilet takes to refill the water. If the toilet tap is opened full and it takes longer than 5 minutes to refill, then this is an indication of bad plumbing work. Also, listen for any weird sounds from the plumbing when you open several different taps at the same time.

Test as many light switches and plug points as you can and check the main fuse box of the property. Ask for the proof of the electrical certificate, in some cases, the seller might still have

this document. If they don't, then you have to check everything yourself and make sure everything is fine.

9. Foundation

If the building has a basement, go into the basement and have a look at the foundation carefully. Nobody wants to live in a building that is on the verge of collapsing.

10. Termites

Normally, you wouldn't think that this is enough to cause people to pack up and sell their house but I have seen and heard of many cases where the termite problem got so bad, that people felt the need to sell their house and let somebody else deal with the problem.

Sometimes, insecticides may not be enough if they were implemented too late. If the property has a lot of woodwork, tap on the wood at different points and listen for hollow points. Check for weak and brittle points of the woodwork. These are the first signs of possible termite infestations.

Budgeting for a wedding

Then, the priest says:" I now pronounce you husband and wife, you may kiss the bride." However, when the wedding day is over and when you start paying the bills, many people feel that the priest should have said something like; "I now pronounce you broke and in trouble, you may kiss your financial goals goodbye."

However, it does not have to be like this. I know somebody that took 3 years to finally pay off all his wedding expenses after his wedding day. And he is one of the lucky ones. Many people have taken longer than that, some never recover. But there are ways to overcome or prevent this, and it does not involve cancelling the wedding. How much of the stress endured during wedding preparations is financially related. In my opinion, most of it is, so let's see if we can ease that area a bit.

<u>What are the main financial components of a wedding?</u>

1. Wedding Date
2. Venue
3. Jewellery
4. Clothing
5. Food and Decor
6. Guests
7. Entertainment
8. Miscellaneous

These are very broad categories but in most cases, no matter what religion or faith you follow, these are the main areas you will need to budget for. Depending on your financial status and financial situation, you might need the help of your partner financially or you might be paying for everything. Whatever the case may be, you MUST calculate your budget to see how much you can afford to save for the wedding per month and how much lump sum you have access to without taking out loans or borrowing money from people you know.

If you calculate your budget, using the budgeting strategy outlined above for Jason, then you know how much you can afford. If that figure is still too high, don't worry. To resolve this, we will now go through each of the main financial components mentioned above to see how we can lower our expenses for the wedding without lowering the quality of the wedding and looking cheap. Let's see how we can budget for each area.

<u>1. Wedding Date</u>

The closer you set a wedding date, the more expensive it will be to book a venue. The reason you are paying more here is because of short notice. Booking well in advance means that you qualify for certain discounts which can be anything in the region of 5 – 25 percent discount. Sometimes, the discount can be even larger than that, it just depends on the venue.

2. Venue

The more elaborate the venue, the higher the costs. For example; if the wedding must take place in a church, then get quotes from more than just one church. Don't be silly to take the first offer. Shopping around can make a major difference.

Don't forget to consider the time of the wedding. A venue might provide a morning, afternoon and evening wedding sessions. Consider which wedding session is the cheapest. In this way, your pocket doesn't take too hard of a knock.

3. Jewellery

This area is a heart breaking moment for most men. How do you make your woman happy and give her what she wants without the wallet taking a beating? I have no idea but I tell you what, if you come across the book that answers that question, please let me know.

The best idea I can come up with is to sit down with your partner and literally draw a few sketches between the two of you on what your partner's wedding ring should look like. Then, go on your own to as many jewellery stores as you can find and explain in detail on the type of ring you were looking for, show them the sketch or sketches. There are so many designs for rings in the market that somebody must have something that looks close to the design that you are looking for. Get 3 of your best quotes for the designs you are looking for.

Prepare a day out with your partner and explain that you have a surprise for him/her. Explain to your partner that you were looking for the most perfect ring that resembles the closest to his/her sketch because you were not happy looking at just any old ring and you found 3 stores that came the closest to meeting your request.

If no rings resemble the sketches then get quotes on how much it will cost to design that ring. Compare the quotes and pick the top 3 stores.

Take you partner to the 3 stores ONLY and let him/her pick the ring from that 3 choices. Taking your fiancé to any store not on your list might result in your fiancé picking a ring that was not in the sketch and worst of all, even more expensive.

By sticking to the plan, you come out as the best soul mate in history, because your fiancé will be touched by your effort in finding the ring that your fiancé pictured in his/her head and you gain because your wallet won't suffer too much.

Shhh, this is our little secret!

Also, consider getting matching wedding bands as your wedding rings. It is considered as a beautiful gesture and it looks wonderful and because it looks so simple, it also makes it look very classy, they are not difficult to make and usually come with a pretty good discounted deal.

4. Clothing

It is so important to properly shop around in making any sort of major purchases. Remember, in most cases, the only way to know an expensive garment of clothing from one that is not an expensive garment of clothing, is to look at the label of the clothing.

Explaining it in that way kind of makes it look silly to buy an expensive brand of clothing when the only person that will know it was expensive is you. I promise you that not a single one of your guests will care how expensive your clothes were. The two most important things about your wedding clothes are; comfort and beauty. If you look stunning and feel stunning, then you are.

Hiring your wedding clothes will seem quite viable as well when you consider that normally, your wedding clothes will not be worn again. Why buy something that you are only going to wear once?

Rather hire the clothes and save a lot of money. Also, consider that if you must buy the clothes instead of hiring, then try to keep the designs of your clothes simple. Simplicity is the ultimate form of style, beauty and sophistication.

5. Food and Décor

Most venues also provide a food and décor package deal as well. Try to find a venue that provides these kinds of additional services as well because taking a venue, food and décor package deal from one place can work out far cheaper than hiring the services of three different people.

If you want to cut some small costs to make big savings without compromising on quality provided to the guests, consider the following:

- Providing your guests with juice to drink instead of soda drinks
- No alcohol
- Making your own décor instead of hiring décor
- Getting family to prepare the food instead of outsourcing and paying for food.

These are just a few ways that you can cut costs for your food and décor without compromising on providing a good time for your guests.

6. Guests

Cutting down on the amount of guests that you invite can make a huge difference in the cost. Obviously, the more guests you invite, the more the wedding will cost you. Cutting down the guest list can be a very tricky, controversial, sensitive and difficult topic, however, it all boils down to what you can afford and how strongly you are committed to staying within the budget and ensuring you reach your goal of become debt free within your life time.

Don’t forget that you are trying to become debt free and not staying within your budget during the preparation for your wedding is very easy. Once you abandon the idea of keeping within your budget, you are well on your way to ensuring that the path to becoming debt free is made a lot longer and harder of a goal to achieve.

IF YOU ARE REALLY SERIOUS ABOUT BECOMING DEBT FREE THEN ENSURE THAT YOU KEEP WITHIN YOUR BUDGET WHEN PREPARING FOR THE WEDDING.

If people get offended about not being invited then tough luck, they are not paying for the wedding, you are. Anyways, if they really do care about you, they will get over it and understand.

Another approach is to create two wedding guests list for your wedding. The first guest list will be for those people that you are inviting for the wedding. The second guest list is those people that you are not inviting but would have invited if money was not an issue. Then, have a separate budget to save money to invite people from the second guest list before the wedding day takes place, preferably a month before the wedding, and invite them for a small engagement party. In that way they are not left out. It's really up to you if you wish to consider this and if it is feasible to you.

I personally won't do this.

7. Entertainment

If you are going to have entertainment, consider which is cheaper, getting a disc jockey that plays the kind of music you instruct to play or getting a band for the wedding.

8. Miscallaneous

Please always make sure that you cater for keeping a fair share of money aside for unforeseen expenses that can come up at any moment (even minutes before the wedding can take place). These things can happen and it is all part of life that we can't avoid but that doesn't mean that we can't have money set aside for these gremlins. Preparing for a wedding is an extensive and exhausting process, so you are only human for possibly forgetting something. If this happens, the money set aside for this situation becomes the life saver for your wedding.

Look, this is one of the biggest and most important steps you take in your life. Planning for a wedding should not become a nightmare but it can easily become one if you don't keep a level head and stay in control (especially staying in control of your budget). Keep the faith, maintain the commitment to your budget and you will have a successful wedding day without becoming bankrupt in the process.

Budgeting for a baby

There are two options here and no, I am not talking about the gender of the baby, I'm talking about the financial ways of bringing your baby into the world. The first option is using government hospitals during the pregnancy term. The second option is to use private hospital care.

If you choose to use the first option, the costs factor in preparing for the baby becomes significantly reduced; however, private hospital care is the complete opposite. A lot of people don't have any faith in the cleanliness of government hospitals and find government hospitals are more of a health risk. These people are forced to seek assistance from private hospital care, even though it costs an arm and a leg, so to speak.

I am one of those people that chose private hospital care when my wife and I were preparing for our child.

If you feel that you will choose the same option, then this chapter applies to you;

Firstly, let's go through some of the main areas you need to allocate money for:

1. Costs to cover gynaecologist bills
2. Costs for admission in hospital
3. Costs for buying baby products
4. Costs for bills that need to be paid while your wife is on maternity leave.

<u>1. Costs to cover gynaecologist bills</u>

The very first step you have to take is confirmation about which gynaecologist your wife will use during the term of her pregnancy. She must be happy with the chosen doctor. But you should also find out if the doctor will be present on the day of birth and whether or not the gynaecologist will be present to administer the birth. Surprisingly, some doctors are not present. If your wife is not happy about this, maybe you should consider another doctor.

Don't just go for the most expensive gynaecologist. If you look around you can get the same level of service from a gynaecologist, or may be even better level of service, from a doctor that costs less. <u>Shop around for a gynaecologist, look for a doctor that you and your wife are both happy with that won't costs as much as other gynaecologist do.</u>

<u>This particular cost factor WILL save you THOUSANDS of your hard earned money</u>.

<u>2. Costs for admission in hospital</u>

You and your wife have to decide as a collective unit on the hospital that she will be staying to give birth. Make sure you choose wisely here, this is another big cost factor that you can save even more money in. Word of mouth is important here as well. <u>Find out how much other mother's paid during their stay in the hospital. This will give you a rough idea of just how much you will have to pay in the different hospitals.</u>

3. Costs for buying baby products required

Unfortunately, the list here grows almost endlessly. With items like a baby cot, milk formula, diapers, clothes, cosmetics, baby room, etc, etc, etc.

Look around for the most affordable place to purchase such items. Sometimes, some of these products will be cheaper in one shop but not the best option for the rest of your items. We had to buy our child's items across several shops. Luckily, we shopped around creating a list of what items cost at different shops and then made our purchases the next day.

It took us a few days longer to complete all our purchases but we saved approximately 3500 in cold hard cash. That was worth the effort to me. No regrets here.

4. Costs for bills that need to be paid while your wife is on maternity leave

In the final stages of pregnancy, a woman goes on maternity leave to bring the new pride and enjoy into the world. But what are the financial implications of a mother/ wife going on maternity leave?

Well, if the household always had two sets of income, i.e. one from the husband and the other from the wife, the household gets used to this routine. The household becomes dependent on this routine. Therefore, if you take away one source of income without any preparation for the household losing that income then the financial foundation of that household becomes as solid as a stack of cards in the form of a castle that's getting blown by the wind.

It is extremely common and irresponsible for a couple not to consider and plan for the period that the wife temporarily does not bring an income into the household. The most common thing to happen during this stage is that the couple end up missing payments, interest builds up and the couple ends up taking months or even years to get back to the financial situation that they were before they had the child. In some cases, they never recover.

When you are bringing a child into this world, the last thing that you want to burden yourself with is guessing which financial institution is placing an "X" on your back. Instead, you want to focus all your attention on your partner, the baby, the wonderful new chapter you are starting in your life.

If you don't plan properly, you end up stressing out, which takes a strain in your relationship with your new baby, you and your partner can end up experiencing a strain in your relationship and before you know it, you end up feeling as if your whole world is collapsing on you.

All of this could be easily avoided with properly planning for your partner's maternity leave. So, how do we go about this?

The first thing to know is that planning for your partner's maternity leave starts at least 6 months before her leave starts.

1) Calculate the total of your partner's re-occurring expenses.
2) Calculate the total of all the non-reoccurring expenses.
3) Identify how much of the non-reoccurring expenses will not occur because of your partner being on maternity leave

4) Calculate how much of the non-reoccurring expenses will occur when your partner goes on maternity leave.
5) Now, add the totals mentioned for points 1, 2 and 4.
6) Multiply that figure by the number of months that your partner will be on maternity leave and then divide this new figure by the number of months that are left until your partner does go on maternity leave.

This figure is how much you must save in the bank every month before your partner goes on maternity leave. The amount of money accumulated at the end of the saving period should take care of all expenses that come out of your partner's account. Therefore the money should be saved in your partners account. In this way, all debit orders and any money expected from your partner's side becomes readily available because the money is available in your partner/ wife's bank account.

If you are unsure how to save this amount of money expected before your partners goes on leave, I suggest you analyse your partner's finances to see where you can cut costs and save more money so you can reach that required target.

Even if you don't manage to reach the expected target, it is not all doom and gloom, but that is not stopping you from still trying to reach that figure or at least getting as close to that figure as possibly. A little goes a long way. Whatever money you can manage to save will ensure that your debt incurred is not as high as expected.

Most of the time, people don't allocate money for these kind of expenses because they are either too lazy to do so, don't care, feel that they will worry about these sort of issues at the time that it does show itself or they think that these all these issues will never occur.

However, you have set yourself apart from people like this and you have this book to help you. Use this book to plan for the types of expenses that we discuss and you will have more time to focus on your bundle of joy, just as you should be.

Budgeting for retirement and even your death

Let's divide this topic into two areas; the first part is concerned with budgeting for retirement and the second being budgeting for your death.

Budgeting for retirement?

In the perfect world, saving for your retirement starts from the day you start working. However, we both know that that has not been the case for you. I'm not going to give you any technical stuff that you are going to struggle understanding. I'm not going to explain how much you require to retirement because that depends on individual requirements expected during retirement.

I am going to explain to you, how you can start budgeting for the retirement lifestyle you require.

The first thing you need to understand is your current financial situation as of this moment. Irrespective of how bad your financial situation might be, you MUST allocate some money towards retirement. Even if you are paying more than the stipulated minimum payments due for certain accounts, you must allocate some money for retirement.

The last thing you want to happen is to end up paying for non reoccurring expenses while you are in retirement. You want to only spend that money on re-occurring expenses like food, water and electricity bills, telephone bills, and entertainment and so on.

And not the three credit card bills that you maxed out, the holiday you took two years ago or the car you bought a few years ago. Following all of the advice given in the other chapters will ensure that any money you saved for retirement only gets spent on essential re-occurring expenses that are necessary. After all, if you got shelter over your head, clothes on your back, food on your plate, debt free and no worries about where the next round of money is going to come from, than you are truly living the life of a wealthy person with no worries during your years of retirement and that is true bliss.

Before you retire, save as much as possible within your bank account every month. Whatever money you can save will go a long way for you in the future. While saving this money, explore all types of high interest bank accounts and investment accounts that are available to place that money. Then, consider all accounts that offer the highest interest with the lowest amount of risks, allocate most of the money you are saving monthly for retirement into this area. These are usually referred to as investment accounts and there is countless number of investment accounts available to you. These types of accounts usually focus on playing on the stock market and there are people employed to achieving this for you.

Speak to more than one professional advisor, evaluate all of their advice and more importantly, research everything for yourself as well. Once completed, determine which option is the best for your retirement needs one day. I am saying "your retirement needs" because everybody has different needs and evaluating all the research will help you make a more informed decision about the most appropriate option for you.

If you are going to choose an option given to you via a financial advisor, remember that the option he/ she gave you was something from a company that he works for. Don't forget that although he is

providing assistance to you, he does have his own interest at heart as well and he will gain business and commissions from signing you on. Don't get me wrong, I am not trying to say that financial advisors are thieves, not at all. As a matter of fact, I personally use the help of several financial advisors. To be sure that your financial advisor is not going to steer you wrong, here are some questions you should ask him/ her while evaluating your options, these questions are over and above your own questions that you might have:

1) If I sign up for the investment account you are offering, how often will you re-evaluate my account and notify me of better alternatives?
2) If I decide to cancel this account, what are the financial implications of such actions?
3) Who do I speak to about the status of this account; i.e. how well it is doing?
4) What are the contact details of the person I should contact?
5) Who and what agencies your financial advisor and the company that he works for, are affiliated to?
6) Which companies does this investment account invest in?
7) How often are these companies evaluated?
8) Do I have the option of changing any of the evaluated options?

These are only some of the questions that you might want to ask. You might have your own list of questions. Here are the reasons why you should ask the questions mentioned above. Each point below is explaining the reason behind each of the questions mentioned above:

1) The financial advisor has an obligation to you to evaluate your investment every 6-12 months to determine if the company he is representing has a better investment account for you or if the current investment scheme at the moment is still the best alternative for you.
2) Sometimes, people discover that there investment account is no longer meeting their retirement needs before the maturity of the account. When you realise this, you would want to cancel the account. You have to read the terms of your agreement with them to determine if you have to endure any penalty fees. Sometimes this can be a lot and sometimes it can be marginal, so be careful.
3) Because you are investing your future into these accounts, you have every right to check up on how well or how badly your account is doing on the market.
4) You need to find out who your contact person is, how to contact them and how to evaluate the status of this account on the market.
5) Companies that offer investment accounts to the general public have to be listed with certain agencies to be considered credible companies and not some sort of fly by night schemes. Determine which agencies these are and if your financial advisor or his place of employment are registered with those agencies and call those agencies to confirm if this is true. Yes, it does seem to be a lot of work but this is your retirement that we are talking about; it is one of the most important decisions you will ever have to make.
6) Investment accounts generally invest in companies listed on the stock market, identify which companies these are, read the newspapers, keep your eyes and ears open and identify if those companies are performing poorly. Are the companies listed in your portfolio well diversified?
7) Confirm how frequently the companies listed within your portfolio are evaluated on your behalf.

8) In most cases, the company investing your money on your behalf allows you to change the options selected by the company representative/s.

Remember, this is your money that is going to look after you in the same way that a parent provides financial support to a child. This money is going to look after you in most cases when you are no longer able to work in the general workforce, so treat the choices made here VERY SERIOUSLY.

Budgeting for your death?

Relax, I am not asking you to predict when you are going to die. All I am saying here is that you need to consider life insurance at the same time that you are considering investment accounts. Most of the points to remember and questions to ask for investment accounts will apply to life insurance choices as well.

If you don't have a will drawn up, now will be a good time to consider drawing up one.

When preparing your finances for matters of death, don't only consider what's going to happen long after you pass away but also consider matters that will arise when that moment does come up. I am talking about funeral services.

Most insurance policies offer a funeral policy in conjunction with your life insurance. A funeral policy will take care of financial setbacks that will occur in preparation for the funeral service. This frees your loved ones from any financial hassles and ensures fewer worries for your loved ones. Your loved ones will appreciate your funeral policy more then you will.

How to deal with financial temptation?

Let me start by saying that yours truly is no expert in overcoming temptation. But I do rate myself as pretty good in overcoming the impulse to be lavish or irresponsible with my money. I feel that I do better than most people in dealing with temptation.

Bear in mind that when I talk about temptation, I am focusing on financial temptation and this is different from any other form on temptation. How is this different? Well, financial temptation is the temptation to spend money to obtain something the other form/s of temptation is obtaining something without the need to spend money.

Why are we covering the ability to overcome financial temptation? I personally feel that one of the main reasons why we are not able to overcome debt in our lives is because the feeling of financial temptation gets the better of us.

What does financial temptation have to do with budgeting and planning your money better to get out of debt? The answer is…. almost everything!

Think about it, we go through our day-to-day lives, we identify things that we feel we need and things that we think we want, we get tempted to buy these items even if we don't have the money (i.e. financial temptation), we purchase these items with money we don't have (i.e. the bank's money) or with money that could have been better spent and then we spend months, years or the rest of our lives paying for our purchases…. all this happens because we fell victim to the feelings of "financial temptation". This is why I feel it is very important that we cover this area and see how we can overcome this demon or gremlin within all of us.

Think about it for a minute. Think about all those purchases you made that you are still paying for. I promise you that every person is paying for at least one item that is related to financial temptation.

Does that mean that everything we buy is because of financial temptation? Absolutely not! Not every purchase we make is a by-product of financial temptation; some purchases are a necessity, a necessary evil. For example, buying a car so that you can travel to work and back home every day, this is a necessary evil (i.e. arranging a bank loan). This expense is a MUST, case close.

However, getting rid of a perfectly good running vehicle to purchase a luxury or sports vehicle and even taking a bank loan to achieve this, this is an example of succumbing to financial temptation.

Does this mean that any money I spend on myself is an example of being irresponsible and falling victim to financial temptation? Does this mean that any money I spend on myself is an example of being irresponsible with my money?

Wrong again! Look, we all know how tough life can be. You work hard, you deal with crappy people at work, or at home, or both, we get pissed off when we hear there will be another increase on the interest rate, petrol/ gas, utility bills, etc, etc, etc….

Not to mention all the sad, depressing and infuriating news we see and hear around us through the media. It's no wonder we feel the need to go out and purchase something, even if it makes us feel better for just a moment. It's because of this that we have every right to be a little self indulgent sometimes. If we don't do this, we end up suffering with depression or always angry with the world

and everyone around us and become boring people. Those negative feelings then start to infiltrate our health and general well being and we suffer from heart disease, ulcers, etc all because stress has gotten the better of us. Therefore, it's important to spend money on ourselves to help alleviate ourselves and escape from the crap that we got served sometimes in our lives.

The problems is when we are no longer able to control ourselves and understand when we are being irresponsible with our money and when we are justified in our spending spree.

So, when is it fine to spend money on ourselves and when is it not? It is only excusable when it won't cause any harm to your regular and on-going budget plan that you created to get out of debt. If this spending spree is something that occurs more frequently and is not catered for within your budget plan, then you are being irresponsible and you have a problem. So long as this happens, you will be like a hamster running on a wheel, you will be going nowhere very fast.

Sometimes, understanding the difference between the two is not so easy and black and white. You will have to judge each occasion and ask yourself is this right or is this wrong? Is this justified or is this irresponsible? Can I recover from such a purchase in a short time frame or will it take longer?

Finally, ask your conscious, listen to that inner voice that we ignore most of the time. Some call it our intuition, some call it our gut instinct, some call it our mother, whatever you want to call it, listen to it and ask yourself, is this right or is this wrong?

We are each responsible for the choices we make in our lives. Be responsible and honest to yourself, be committed to your debt recovery plan that you created for yourself in conjunction with your budget plan and never give up and I promise you, you will reach your goal of becoming debt free.

How to save more money?

- Saving coins
- Reassess insurance
- Shopping – I'm referring to budget deals and special offers and off season shopping and bulk buying and joining clubs to get special discounts on purchases that you make on a regular basis. Add all of these options together and you would have saved thousands every year on grocery shopping.
- Make suppliers fight for your business
- Junk yard sales

Let's assess each option in greater detail:

1) Saving coins

Don't underestimate the value of accumulated coins because they can certainly surprise you. We all have been in the situation of inadvertently collecting too much high value coins. How many times has your wallet or purse been heavy because of the large amount of coins you had? Or, how many times have you made a cashier wait while you counted all your loose change just so that you can finally get rid of them?

Now, I'm telling you not to get rid of them. Instead, make an effort to collect all of the highest value coins that you have. Every time you spend a note of money and you get change for your purchase, collect the change in a bottle and wait for the bottle to get full. Once it's full, deposit the money into your bank account and surprise, you got money you would have never collected.

For example, I would spend a note of money and at the end of every day, I used to empty my wallet and place the day's high value coins I collected into a container. That money quickly filled the container and then I had to collect my coins in a bigger container. When I added up the money at the end of 3 months, it was equivalent to the amount of money I spend on average for my wife and me when we go out in a month.

That means that for every 3 months of saving coins, I have saved enough money not to make any withdrawals from my bank account on every fourth month. That's a fantastic saving, don't you agree?

2) Reassess insurance

Covering your valuable items via insurance is a necessary expense that we all have to contend with. These monthly contributions towards insurance companies will increase annually as well. However, you can ease the burden of these monthly payments.

Every year your insurance company will notify you of an annual increase on your insurance premiums. The insurance premium is based on the value of the item being insured (either your car or your house, etc). With insurance for your car, the value of your car depreciates every year. So, if you insured your car 3 years ago for a value of 50 000 and if the premiums were 400 in the first year, 440 in the second year and 484 in the third year, then you have a problem. <u>In the third year of insurance, you are paying premiums for a car valued at 50 000 but after three years your car is no</u>

longer that value. It would have depreciated and be worth less than 50 000. Therefore, you are paying premiums for a car valued at much higher then what the insurance company will pay you for. So, if you get involved in an accident and your car gets written off, if the book value of your car is 30 000, don't expect to get paid 50 000, you will only get paid your car's book value which is 30 000, even though you are paying premiums for a car valued at 50000. You are paying extra on your premiums when you don't have to. This applies to insurance companies that are insuring a vehicle based on book value and not resale or retail value.

So, here is the solution.

Every year contact your insurance company and tell them that you want a reassessment on your insurance policy. Remember, the insurance company wants your business to stay with them. They will reassess your policy and adjust your premiums accordingly to match the correct value of your car.

Don't forget, the insurance companies don't do this. You will have to contact them and tell them that you want to reassess your policy with them. The insurance companies don't tell you this but I am telling you this crucial secret. The reassessed value given for your car insurance will take into account that the car value would have depreciated and the book value would have dropped accordingly therefore the reassessed value is designed to consider all these changes in your car's value. Therefore lower premiums after every annual increase done by a insurance company.

3) Shopping

Depending on your location and the items considered; items looked for will be cheaper either out of season or in season. For example; if you want to buy summer clothing during summer, then they are expensive because this is what everybody wants at the same time. If there is a high demand for an item, then people will pay whatever is asked for that item.

Therefore, try to buy spring and summer clothing during autumn and winter and vice versa. You will save quite a bundle. Alternatively, if you are looking to purchase, for example, a computer and if you want to purchase the computer towards the last quarter of the year, wait to make your purchase during December. Why? Because many shops will have lots of Christmas specials and the same items you wanted will become much cheaper during Christmas time because shops will try to gain a stronger competitive advantage over their competitors.

This is why it's important to decide when the right time to make certain types of purchases is. Making your purchases at the right time will save you lots of money.

4) Make suppliers fight for your business

Something important for you to remember is when you are making big purchases, the suppliers of that item are not calling the shots, but you are. What does this mean? Well, the best way to explain this is to provide you with my own personal example.

When I needed to purchase bedroom tiles in my house, I asked friends and families on the best places to get the best value for money. Luckily, everybody agreed on two major stores. I went to

each of them and made enquiries about a specific tile that my wife and I liked. The first store gave me a good price; I took a quote from them and made my way to the next store.

I saw the same tiles that I liked at the second store as well. We made enquiries about that tile in the second store as well and their price was better than the first store. Other people would stop at this point and buy the tiles at the second store based on the fact that they were better priced. Other people would stop here, but not me. I took a quote from them as well and went back to the first store.

I made enquiries at the first store about them beating the price at the second store and they did. Once again, I took a new quote from them and went back to the second store to see if they could better that new quote and they couldn't. I went back to the first store and made my purchase.

Using this strategy, I was able to obtain a better quote then most people would have got and made my purchase. Anybody else would have stayed with the second store but I was able to get a better deal with the first store. It doesn't get better than this.

In this example, the two tile supplying stores were not the ones calling the shots, but I was. They needed my business. I didn't just use the better quote; I put the two stores against each other and made them work for my business and at the end, I chose the winner of the two stores.

By the way, I didn't just save money, all this work on my part allowed me to save approximately 1000 – 1500 on my tiles purchase. So I saved more money doing all this work then compared to the amount of fuel I spent running between the two stores.

5) Junk yard sales

We all know what this is about and don't underestimate the amount of money you can bring back from selling old, unwanted items lying in your house. One man's junk might be another man's gold.

If you can clean up your house and make some money out of it by cleaning out your house and garage, then why not?

Spring clean your house with a junk yard sale and you will end up making money in items that you would never have thought possible.

Look, at the end of the day, it's all up to you to action your own plans and make them work for you. Only you can make this work. Stay committed, stay strong, have faith and keep your eyes on the prize. Budgeting gets you debt free. Being debt free gets you financial freedom and financial freedom is the grand prize that we all strive for.

I would just like to wish you all of the best in budgeting your way to financial freedom.

Best of luck to you and thank you for selecting my eBook!