

## Have a family budget and do your best to stick to it



### What is a budget and why is it important

Running a household is no easy task, especially when it comes to managing finances. One way to ease this pressure is by using a budget. **A budget is an estimate of your income and expenditure over a future period.** In other words, it is a plan for your money. Here are reasons why a budget is important for your family:

1. It helps to monitor your spending to avoid getting into debt
2. It helps to set financial goals and track your progress towards them
3. You have money when you need it for important events such as retirement, emergencies, or the education of the children.

### Choosing an ideal budget type

There are several kinds of the budget such as the 50/30/20 budget, the envelope budget, and the zero-balance budget.

The 50/30/20 budget, however, seems to be the most popular.

It splits your income into three based on your needs, wants, and savings. It is straightforward and an effective way to ensure you have disposable cash to meet recurring bills and have funds stored for the future too. A breakdown of the 50/30/20 budget is below:

### 50/30/20 Budget breakdown



### 7 steps to develop a family budget that works

- 1 **Calculate your income:** Combine the income of all the members of the household. This is the money that comes home after tax and all other deductions have been made. Instead of making a wild guess, take the pay slips (if they are available) so that it is more accurate. Add other sources of income, such as a side hustle, if they exist. If your income is irregular, use the least expected amount just to be safe.

- 2 **Estimate your expenses:** Next, make a list of your monthly expenses. What do you spend your money on every month? Be sure to include the big ones such as utility bills as well as the little ones such as the cost of airtime. The key here is to be honest. Also, make provision for debt repayments and miscellaneous costs.
- 3 **Determine your goal:** What do you want to achieve with this budget? Maybe you want to pay off a certain loan faster or you want to reduce your spending costs or you just want to be able to save more as a family. A goal will impact how you re-allocate your resources to ensure you meet your goal.
- 4 **Organize your budget:** This is where you get down to the business of creating the budget. You could use a pen, paper and a calculator or Excel or budget apps like You Need A Budget (YNAB), Mint, and Money Manager.
- 5 **See how you can cut down on spending:** No matter the kind of budget you are using, always explore ways of reducing the cost of your expenses. You could apply tips such as bulk buying or using discount cards, cooking instead of eating out, etc. More importantly, if you have outstanding debt payments, see how you can pay them off quickly to avoid accruing more interest.
- 6 **Regularly review your budget:** It is not enough to do a budget once and forget about it. You must review it at least once every month. Rising costs of goods and services or a pay raise could all impact your budget so ensured they are catered for each time.
- 7 **Be committed to your investment plan:** As a family, it is important to save for your future goals and this should be included in your budget. But that doesn't mean you should lump all the money into one investment account. Try to split it up so that each investment account would have its goal. You could spread the money into, for example, EdIFund for the children's education, BFund for your retirement, and MFund for emergencies.

## Final words

If you want to manage your family finances better, you need to put in the work – it will not happen by chance. Decide to build a budget, personal or family, to help you meet your financial goals. You can contact Databank for help to develop a Personal Financial Plan or to start investing.

Call us on **0302 610610** or via WhatsApp on **0577 289133**. You can also send a mail to [info@databankgroup.com](mailto:info@databankgroup.com).

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