

## How effective budgeting can help you save and improve your financial health

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Taking control of your financial health through effective budgeting can be beneficial and liberating. By creating a budget and smartly managing your expenses, you can ensure that your hard-earned money lasts longer and works towards securing a prosperous future. That said, incorporating savings into your budget is just as important for long-term financial planning as tracking every cent you earn and spend, and grouping expenses into categories. This Savings Month, we encourage you to implement effective budgeting to help you establish a habit of saving.

### **Planning a budget:**

The following steps will help you to create a budget that enables you to meet your financial commitments, maybe afford a little spoil now and then – and even save towards that long-term goal or for a rainy day.

**Step 01:** Track your income and expenses over a month, carefully recording everything you earn and everything you spend. Keeping track of your expenses might be a new discipline for you as it requires diligence and commitment. Remember – you are doing this for your benefit, so be sure to record every chocolate, coffee, debt repayment (e.g., car, house, cell contract), petrol, rent and more. Don't skip a single cent.

**Step 02:** Group your expenses into different categories (e.g., groceries, transport, school fees, treats, entertainment) and split these categories between four groups:

- Essential (must have costs like rent and utilities),
- Non-Essential (necessary but flexible like a phone); and
- Luxury (something you want but don't need, like a TV)
- Savings, where you should be setting aside a little bit every month for an emergency fund. This fund – also known as a rainy-day fund – will be a welcome relief if your car breaks down or your house roof starts to leak.

**Step 03:** Manage your expenses with a budgeting tool. You can use an app or a spreadsheet, whichever works for you, and add in each expense you recorded in Step 01. This gives you a comprehensive view of your budget. Experian has included a free budget tool on their new



web-based app, called Up, with the aim of making budgeting and monitoring your financial health as easy and convenient as possible. This budget tool has pre-setup expense categories making it easy to populate it with your specific information. Up can also pull your credit-related expenses directly from the credit bureau data – free of charge – if you wish to include that in your budget too.

**Step 04:** Regularly review your budget. This means you should check in on that budget every month to make sure it's still realistic and relevant. In addition to keeping your budget up to date, it's also important to track your budget comparing it from one month to the next.

It's important to ensure that your budget is realistic– so that you can stick to it. A rule of thumb is to aim to save 20% of your income and utilise less than 50% of your credit facilities.

Of course, there is magic in money too...

Compound interest makes savings even more worthwhile. While navigating finances can often feel challenging, it can be as simple as investing in smart savings that boost your financial health in the future.

First, and most important, remember that savings should be a part of your budget. Savings is not just extra money lying around, it should be a critical part of your financial planning and long-term financial objectives. The earlier you start saving, the more your investments will grow.

Don't forget to use platforms such as Experian's free web-based app, called Up, to start budgeting today. You can even monitor your credit health and learn about finances – all free of charge.

To register for Experian's free financial education and budget tool, go to [www.up.experian.co.za](http://www.up.experian.co.za) and register for Up. On Up, you'll also be able to obtain your free Experian credit score and have unlimited access to your credit report.