



The other B word

Budgeting is rather like eating healthily or exercising. Some people like to do it, but for others it's a chore. And for many it's a source of guilt. They think they should do it, but they don't.

This article could be yet another telling the laggards how they will be much better people if they keep track of all their spending. But that's hardly likely to make any more difference than other such articles.

As poet Robert Frost wrote: "Nobody was ever meant, to remember or invent, what he did with every cent."

Instead, therefore, some tips for the less than enthusiastic budgeter:

1. Do you need to budget anyway?

If your income covers your expenses – including a satisfactory rate of saving if you want to save – then arguably you are budgeting anyway, in an informal way.

Don't forget, though, to plan for expensive purchases such as a new car or a holiday. If you usually fund those out of savings, rather than borrowed money, over a lifetime you will save thousands of dollars in interest. (See "2 ways to buy cars", Page 2)

However, if you cannot save as much as you would like to, or if you have debt of any kind, you'll do yourself a big favour by budgeting at some level.

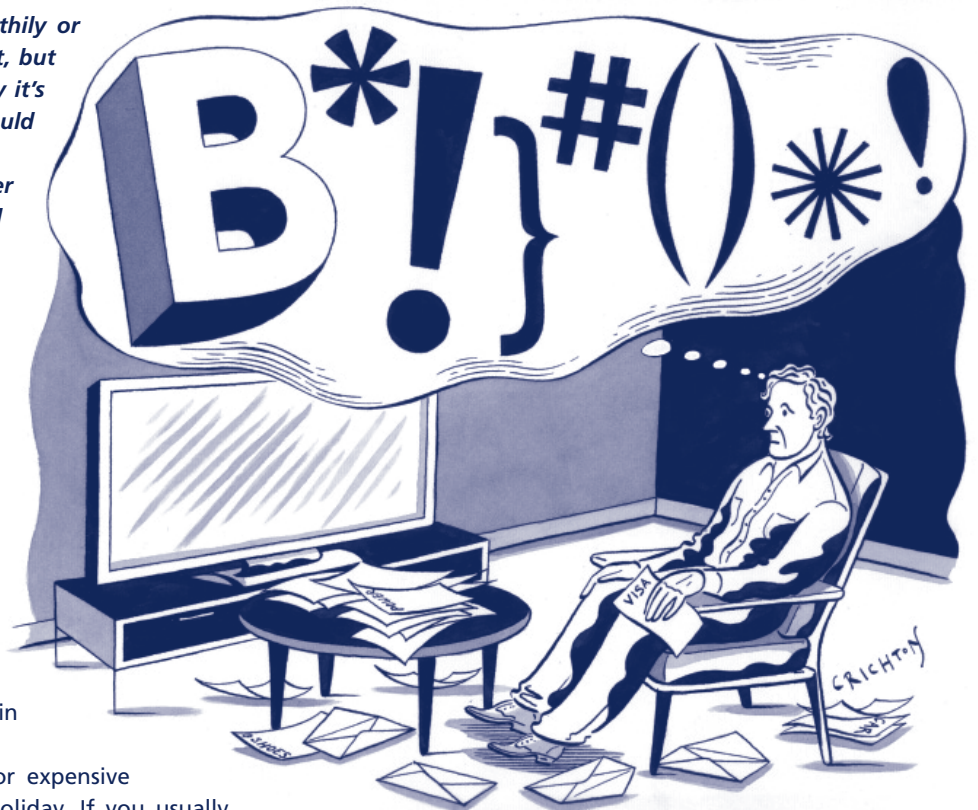
RULE NUMBER ONE

Don't borrow to buy goods or services that won't grow in value. Regular borrowers are obviously living beyond their budgets.

If you already have long-term credit card, hire purchase or other high-interest debt, your top financial priority should be repaying it. Otherwise you end up spending much more for the items you buy.

Remember: repaying debt improves your financial situation as much as an investment with an after-tax return the same as the debt interest rate.

For example, if your credit card charges 20% interest, repaying credit card debt is like making a 20% after-tax return on an investment. Fantastic!



2. How much record-keeping is necessary?

If you're disciplined, you may want to firstly estimate how much you spend in various categories. (See "Your Budget", Page 4)

Then either write down in a notebook how much you actually spend in each category over a few months, or compile a list using bank statements, cheque butts and credit card bills.

The numbers don't need to be precise. Guess where you don't have good data, and round off numbers to the nearest \$100.

Compare your actual spending with your estimates. Wherever the actual is higher might be a good place to reduce your spending.

Too onerous? Try for a second-best plan. Succeeding at that is better than failing at a best plan. (CONTINUED PAGE 2)