

Take control of your money

A resource to help you learn about budgeting.

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Kia ora, Welcome, Talofa.

Part of being good with money is having control of it. You'll have peace of mind and be able to cope with emergencies and large payments without stress.

This resource will help you:

- learn about budgeting
- start your own basic budget.

The Wilsons...

We'll use the Wilsons as an example of some of the situations we're going to learn about in this resource.

	Shorter term goals	Longer term goals
<p>Ruby 25 years</p>	<p>I've just returned to work after a year off with Marama my little girl. My main goal is to pay off the credit cards and overdraft.</p>	<p>Putting money aside for my kid's future. And thinking about buying a place to live.</p>
<p>Johnny 29 years</p>	<p>I work in trades and am working to keep on top of the bills and the rent. I'd like to put some money aside for emergencies and must save for Christmas.</p>	<p>Look to buy a place with Ruby.</p>
<p>Mike 19 years</p>	<p>I'm still living with Annie but really want to go flatting. I want a new phone too, but the car broke down and will cost money to fix.</p>	<p>I want to save for my OE and some adventures overseas.</p>
<p>Annie 54 years</p>	<p>I've been putting money in my retirement account. Not sure if it's enough. Not feeling as fit as I used to right now, and I really need to figure out how to keep that savings growing.</p>	<p>Must keep realistic about my retirement budget. I do need to save some money to buy the grandkid a present or two.</p>

The problem: Johnny and Ruby have found that their credit card balance has been getting bigger. They want to find out why so they can take control of their money by paying off that debt. They'd also like to have some money put aside for emergencies and Christmas. Let's go through the process of budgeting with them. This will get you started and you can use the same process for your own household.

Income

Income is the money we get regularly to pay for our expenses and put towards savings. It's the money we can rely on.

Income

- Salaries or wages
- Profits from business
- Interest
- WINZ benefits
- Regular overtime

Not income

- Loans
- Gifts
- Donations
- Garage sales
- Overtime if not regular

Johnny earns \$39,500 after tax each year. He gets paid once a month. Ruby earns \$400 each week after tax. Their total weekly income is:

$$\frac{\$40,580}{52 \text{ (weeks in a year)}} + \$400 = \$1,180.38$$

What's your income each week?

What do you earn each week after tax?	You	The rest of your household
Salary or wages		
Profits from business		
Interest and dividends		
Benefits		
Regular overtime		
Other income		
Total	\$	\$

Do you have other sources of income?	You	The rest of your household
Rent per week paid by tenants or boarders		
Board per week paid by adult children		
Any other income (how much per week?)		
Total	\$	\$

Spending diary

A spending diary is a way to keep track of our spending habits. It also helps us remember those payments that slip through the cracks. We can use it later on to make a budget too.



Tip!

Giving money to friends and family is an expense too. So are donations to charity.

Think about what you usually spend and when.

Day	Expense	Cost (per week)
Monday		
Tuesday		
Wednesday		
Friday		
Saturday		
Sunday		
Other regular payments		
Total spending for a week		

Here's Johnny and Ruby's diary.

Day	Expense	Cost (per week)
Monday	Coffee - Johnny & Ruby	\$10
Tuesday	Toys for the baby Extra cell phone top-up	\$20 \$10
Wednesday	Online DVD rental weekly payment	\$10
Friday	Family dinner with grandma Electricity bill Car payment	\$70 \$75 \$100
Saturday	Grocery shopping for the week Petrol for the week - two cars	\$350 \$100
Sunday	Donation at Church	\$20
They also pay \$576 for rent, \$133.40 for child support for Johnny's 8-year-old son, and \$320 for child care every other week		\$514.70
They have a landline of \$50 a month and 2 cell phones on \$19 a month each		\$26.08
Total spending for the week		\$1,305.78

This is more than they earn! They use their credit cards to make up the difference.

How much do you need it?

What are needs?

There are five things we really need. They're things we can't choose to do without. Wants are everything else. Fixed costs are the same amount every time; flexible costs change.



Fill in your needs and wants:

	Fixed	Flexible
Needs	1	2
Wants	3	4

Here are some common needs and wants

Mortgage/ rent
Insurance
Electricity / gas
Internet
Water
Telephone / mobile phone

Credit card
Hire purchase payments
Fines
Groceries
Eating out and takeaways
Movies/ DVD/games

Social functions
Pet expenses
Sky TV
Fuel
Maintenance
Car or bike insurance

Public transport
Toiletries and grooming
Donations
Child support

Needs and wants

The needs and wants table tells us how important each of our wants and needs really is. We've filled in Ruby and Johnny's needs and wants from their spending diary so you can see how they fit into the table.

	<i>Fixed</i>	<i>Flexible</i>	
Need to survive	1 Car payment \$100 Rent \$288 Child care \$160 Child support \$66.70	2 Electricity bill \$75 Grocery shopping for the week \$350 Petrol for the week - two cars \$100 Cell phones \$18.75	Need to live a good life
Want to enjoy life	3 Landline \$17.30 Online DVD rental weekly payment \$10	4 Coffees \$10 Toys for the baby \$20 Family dinner with grandma \$70 Donation at Church \$20	Want to enjoy life

These needs and wants are their everyday costs, but what about emergencies?

Emergency fund

Even if we plan very well, we may still have unexpected emergencies. These could include losing a job, a bad illness with lots of doctor visits, sudden home repairs, or car trouble.

An emergency fund means we don't have to go into debt to cope. Credit cards and personal loans have high costs.

When might you need money fast? Complete the form.

What could happen?	How much would you need?
	\$
	\$
	\$
	\$
Do you have any money already put aside? How much?	(\$)
Total amount we may need	\$

Sometimes saving a large amount for emergencies can seem too big to do. Let's pick a realistic amount to start with.

How much do you think you need?	\$	÷ 52
Amount to put aside each week	\$	

Emergencies can happen before we have saved enough. How much money can you get in an emergency?

	Friends and family	Overdraft	Money you can borrow from the bank	Other	Total
Amount	\$	\$	\$	\$	\$

Johnny and Ruby's emergency fund:

How much do you think you need?	\$1,000	÷ 52
Amount to put aside each week	\$19.23	

Big payments

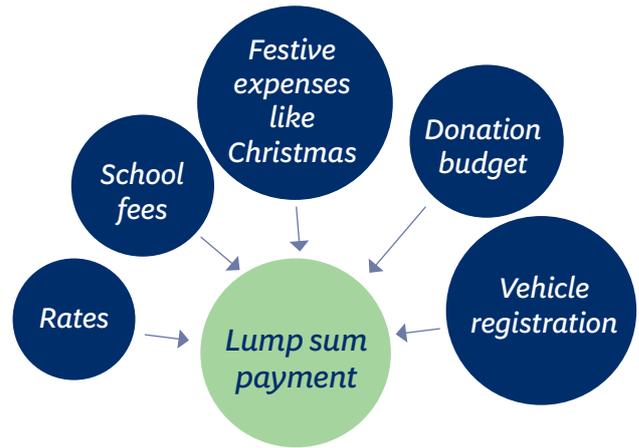
Sometimes we have to make big payments. These are called lump sum payments. They can be very hard if we don't have enough money in our discretionary spending for a week for the whole lump sum.

If we put away a bit each week, we can have the money put away. Then when we have to pay, it is easy.



Tip!

Making small payments over time is easier to handle than making one big payment.



What big payments might you need to save for?

Payment type	Amount \$
Amount to put aside weekly	

Johnny and Ruby decided to put some money in a separate account to pay for lump sum payments.

Payment type	Amount \$
Credit card	\$1,500
House savings	\$1,000
Christmas expenses	\$1,000
Vehicle expenses/insurance	\$2,000
Content insurance	\$350
	\$6,850 ÷ 52
Amount to put aside weekly	\$131.73

Your income balance

Look back over the last few pages and full in your income balance below.

	1 Fixed needs:		2 Flexible needs:			
	+	<input type="text"/>	+	<input type="text"/>		
		Emergency fund:	3 Fixed wants:			
	+	<input type="text"/>	+	<input type="text"/>		
		Big payments:	4 Flexible wants:			
	+	<input type="text"/>	+	<input type="text"/>		
Income:	=	Fixed costs:	=	Flexible costs:	=	Income balance:
<input type="text"/>	-	<input type="text"/>	-	<input type="text"/>	=	<input type="text"/>

Johnny and Ruby's income balance

	1 Fixed needs:		2 Flexible needs:			
	+	<input type="text" value="\$614.70"/>	+	<input type="text" value="\$543.75"/>		
		Emergency fund:	3 Fixed wants:			
	+	<input type="text" value="\$19.23"/>	+	<input type="text" value="\$27.30"/>		
		Big payments:	4 Flexible wants:			
	+	<input type="text" value="\$131.73"/>	+	<input type="text" value="\$120"/>		
Income:	=	Fixed costs:	=	Flexible costs:	=	Income balance:
<input type="text" value="\$1180.38"/>	-	<input type="text" value="\$433.95"/>	-	<input type="text" value="\$691.05"/>	=	<input type="text" value="-\$257.10"/>

This is a negative number! How can they save money?

Spending less

It's hard to give up needs without major changes. You might find you have to. Are there any changes you can make that might save money here?

These take a major life-style change to reduce. You can talk with people you owe to work out a payment plan and reduce weekly payments sometimes.

	Fixed	Flexible
Needs	<p>1</p> <p>Car payment \$100 Rent \$288 Child care \$160 Child support \$66.70</p>	<p>2</p> <p>Electricity bill \$75 Grocery shopping for the week \$350 Petrol for the week - two cars \$100 Cell phones \$18.75</p>
Wants	<p>3</p> <p>Landline \$17.30 Online DVD rental weekly payment \$10</p>	<p>4</p> <p>Coffees \$10 Toys for the baby \$20 Family dinner with grandma \$70 Donation at Church \$20</p>

You can do without these.

We do have to pay for our needs, but we can make the spending flexible, such as by taking the bus to work to save money on parking and fuel. We can also sometimes put off purchases for things we need, such as by waiting a month or two before buying a new jacket.

You can have less of these

“Buy security not stuff”

“Spend in haste brings about waste”

My plan for spending less

It is easier to spend less on negotiable payments than non-negotiable payments. Let's look at ways you and the Wilsons can spend less.

Your plans for spending less

Item	Action	New amount	Saving \$
How much money can you save?			

Johnny and Ruby's plans for spending less

Item	Action	New amount	Saving \$
Car payment	Renegotiate*	\$70	\$30
Prepaid phones	Stop buying extra minutes	\$8.75	\$10
Groceries	Buy cheaper store brand items	\$290	\$60
Petrol for two cars	Peter walks to work	\$50	\$50
Online DVD rental	Cancel subscription	\$0	\$10
Coffee	Drink coffee at home	\$2	\$8
Family dinner with grandma	Have the dinner at home	\$0	\$70
Donation to the church	Reduce the donation	\$10	\$10
Toys for the kid	Buy less	\$10	\$10
How much money can they save?			\$258

* Note renegotiation of a contract agreement may take pressure off in the short term but may also incur an increased cost in the long term if the duration is extended.

Now you know how you can save, what does your new income balance look like?

Overall income balance:		Money you can save:		New income balance:
	+		=	

Overall income balance:		Money you can save:		New income balance:
-\$257.10	+	\$258	=	\$0.90

Your new budget

Fill in your needs and wants:

	Fixed	Flexible
Needs	<p>1</p> <p style="text-align: right;">Total:</p>	<p>2</p> <p style="text-align: right;">Total:</p>
Wants	<p>3</p> <p style="text-align: right;">Total:</p>	<p>4</p> <p style="text-align: right;">Total:</p>

Here are some common needs and wants

Mortgage/ rent

Insurance

Electricity / gas

Internet

Water

Telephone / mobile phone

Credit card

Hire purchase payments

Fines

Groceries

Eating out and takeaways

Movies/ DVD/games

Social functions

Pet expenses

Sky TV

Fuel

Maintenance

Car or bike insurance

Public transport

Toiletries and grooming

Donations

Child support

