



# How to Budget

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**H**ere's the problem with most budgets; they often don't work because life isn't as predictable as you may think. Budgets are typically done on a monthly basis in line with our income frequency, yet our spending patterns are far less predictable.

## What is a Budget?

A budget is a financial plan but you don't need a financial expert to come up with one as a budget is a type of financial plan that anyone can do for themselves. It's a personal budget that summarises all of your income and expenditures, done with the purpose of seeing whether one is larger than the other. So you basically

put all your income on one side of a sheet and group your expenditure on the other.

## Why should I draw up a Budget?

### 1. Find out if you spend more or less than you earn

We all buy based on our assumption of whether or not we can afford it. But if you notice your savings account reducing or your debts increasing every so often, you are probably overspending. A budget helps you see exactly how much you are overspending by each month or year, and gives you a more accurate idea of the size and scale of your spending.

### 2. Know what you are spending on, and how much

By doing a budget you can break down exactly where your spending goes, and

know exactly how much you are spending with the numbers right before you.

### 3. Plan your spending in the future

Once you are aware of your financial situation, you can then take control of the areas of spending and actively manage what you can or cannot spend. This allows you to prioritise your spending according to your means, and plan your future spending.

## The way to budget

Budgets typically don't work not because people don't stick to them, but because they aren't done as well from the start. The biggest mistake being people generalising their expenses, such as using 'car expenses' for fuel, parking, maintenance, tolls, etc. All this makes it hard to know where you are overspending.

Before you start budgeting, here are some questions to consider.





## What do I need for preparing my own Budget?

Budgeting requires a thorough critical analysis of your actual spending, so you will need:

- bank statements, preferably for the last 3-6 months
- credit card bills for the last 3-6 months
- if possible, receipts for items paid for in cash (and card too)
- most recent payslips

Don't worry if you don't have all the details, just fill what you can and it will eventually get easier.

## Should I do a joint budget with my spouse / family?

This depends on whether you want to combine your income and expenditure. Sometimes joint expenses are difficult to separate, so you may have to do it together anyway.

## Be Specific

As mentioned, budgets fail because expenses aren't specific. If you are specific you will be able to see the breakdown between more categories and identify any spending habits you wish to change.

## The SaveMoney.my Budgeting Tool

One way you can do your budgeting is through SaveMoney.my's Budgeting Tool which allows you to 'do a budget' the SaveMoney.my way. Once you have all your bank and credit card statements, bills and receipts ready, it should take no longer than 30 minutes to fill and get an accurate reading of your monthly financial position.

## What to do

Upon using the tool or doing your budget, two options await.

## You have excess saving.

Great! First things first, do another check of all your spending and make sure there

are no major omissions from your regular spending. If you still have savings, good for you! But it's not over yet. You can still look into ways you can cut down on your spending further, especially on items you can do without. Be sure to keep your savings away for a rainy day!

## You are overspending.

Yikes! Do a check to make sure you haven't made any major errors in your calculations. If you're certain that you haven't, then you may run the risk of a vicious debt circle sooner than you think. There are a few simple steps you can take to try and reduce this overspending:

## Step 1: Pain free lifestyle-maintaining savings

This involves going through great articles that can help you save money in areas you spend on. This may include changing your bank account to one with high interest, optimising your handphone and broadband bills, earning cashback on all spending via a cashback credit card, and more!

## Step 2: Painful savings - cutting back on your current lifestyle

This is where you realise that you need to make some lifestyle changes if you want to live within your means and cut back in different areas of your life. So go through each part of your spending line by line to see where cuts can be made.

## Step 3: Getting some Debt help

If things are so severe that both Step 1 and Step 2 are unable to solve your debt, you may want to consider getting some debt advice from non-profit organisations or AKPK, a debt counselling and debt management firm set up by Bank Negara Malaysia.

\* Balkish Rosly is a Senior Writer at SaveMoney.my, an online consumer advice portal which aims to help Malaysians save money through smart (and most of the time painless) savings in their daily banking, technology, and lifestyle spending habits.