



# Budgeting for Success

Guide to Budgeting and Decision-Making



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## So what is the big deal with budgeting?

We know the term 'budgeting' isn't exactly an exciting term but nonetheless, if done correctly, it can make a huge impact to your quality of life. It should come as no surprise that at Finance Ezi we are huge advocates of budgeting.

The problem with approaching your budget is that the process seems overwhelming, unmanageable, and all-around boring: but with the right tools (and state of mind) it will quickly become one of your most trusted allies. You'll no longer be crunching numbers in your head trying to determine if you can really afford that dinner out, new watch, new car, whatever. With a comprehensive budget you'll know the answer and suddenly you'll find yourself confidently making decisions and watching your savings grow before your eyes.

Unless you plan on winning the lotto, there is no quick fix to making money. It's a lot of hard work but with the right budget, you'll notice your money adding up faster and dreams inching closer.





# Do I need to budget?

Budget 2016

People are frequently asking us about the importance of budgeting and if it applies to them.

Regardless of your current financial state, budgeting is a tool that is useful to everyone, whether you're well off or struggling. When you set your budget it's easy to identify goals and enable yourself to achieve them.

If you're still not convinced here are a few additional reasons that may just push you over the edge.

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- 1. A budget allows you to gain control of your finances.** You work hard to earn your money so why wouldn't you keep track of every detail of it?
- 2. You will achieve your goals.** If you're passionate about a European Adventure or a new luxury boat, a well-defined budget will help you get exactly what you want.
- 3. A good budget minimises stress.** According to a study by the Australian Psychological Society, Financial issues are the leading cause of stress amongst Australians, with more than half of Australians citing finances as their main cause of stress.
- 4. Budgeting requires you to step back and understand what your major priorities are and where you're spending money.** By budgeting you'll be able to successfully identify the places you can afford to cut back on and those you can't thus creating a greater personal understanding.
- 5. You'll avoid debt and improve credit.** By creating a budget and then sticking to it you'll be able to eliminate any debt you currently have, avoid incurring any potential future debt and improve your credit.



## Change your habits



The key to developing a budget that you will actually adhere to is ensuring that it's realistic.

You shouldn't be developing a strict budget that leaves no room for entertainment and little luxuries, not only is that not realistic but you'll feel an unnecessary amount of guilt for not meeting your own (unrealistic) expectations.

Here are a few simple tips that will make budgeting a lot easier and most importantly, more achievable.

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- 1. Look at the past.** The best way to improve habits is to learn from the past so have a look back and identify any areas that your spending is much higher than expected. We'll call that a leak. Find the leak, and plug it by adjusting your habits. For example, if you're spending too much on groceries then you may want to explore creating a meal plan before you go to the shop to prevent unnecessary spending.
- 2. Identify the little expenses.** The little things add up more than you'd think. If you're spending \$5 a day on coffee that actually ends up to \$1820 at the end of the year. By cutting out the little unnecessary expenses you'll be that much closer to achieving your goals.
- 3. Make substitutions.** If you're upset about giving up your little luxuries like your daily coffee then consider a minor investment of a French press and make your own coffee. A small initial spend is much better than a long term small spend.
- 4. Cut out what you don't use.** Monthly subscription fees often slip by unnoticed but if you haven't used the subscription enough to warrant paying for it, then perhaps its time to cut it out. For example, if your monthly gym fee costs \$70 and a day pass is \$10, but last month you only went to the gym once, then you are better off cutting it out and getting a day pass when you get the urge to work out.
- 5. Consider cash.** When running errands, it's much easier to use PayPass than searching around in your purse or wallet for the right amount of cash, but is it too easy? If you're frequently tapping your card then you're probably not noticing how much money you're actually spending. Try this simple exercise: next time you go grocery shopping set a budget for the shop and take only that amount in cash with you, leave the cards at home.





## It's the little things



Budgeting has far exceeded the old days of pen and paper and even the more modern times of Excel.

Due to the latest technology, there are now a wide range of budgeting options whether it's a software that needs installing on your computer, a website or an app there are an ample amount of options for you to choose from.

Personally, we are fans of simple software such as Excel, where you're able to easily list your income and expenses all while tracking how close you are to your goal, but if you prefer something that is a little more visually appealing there are variety of apps that will allow you to successfully track and analyse your spending. If you decide to go down the software path, ensure that it allows you to sync all of your financial assets and expenses including all bills, loans, and bank accounts.

The fact is it doesn't really matter how you go about developing your budget whether it's on paper or on your smartphone, as long as you're able see exactly how your dollars are adding up.

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Habit	Yearly Cost
Daily cup of tea/coffee	\$1820
2 Packs of cigarettes/day	\$2555 - \$3285
Takeout lunch 5 days/week	\$3900
3 drinks at a Bar/week	\$1248 - \$2340



# What's your goal?



Developing financial goals is incredibly essential to a successful budget.

If you're developing a budget without a clearly defined goal there is less incentive to follow through with your commitment. So how do you go about setting your goal and achieving it? It all depends on what you'd like to achieve.

Your goals can vary greatly, from purchasing a large item like a house, boat, or car to financing a wedding or travel through to eliminating current debt. Your goal could even be as simple as 'saving money for a rainy day', which is equally important. These all require different approaches. For example if your debt is excessive then you may want to create a more aggressive budget that allows you to minimise your debt as quickly as possible to prevent any unnecessary interest charges. If you have a goal with a specific end date in mind, like financing a wedding, then you'll have to adjust your budget to ensure you'll reach your goal within the allotted timeframe.

Budgeting is as much of an art form as it is a science. It's incredibly subjective to your individual wants, needs and lifestyle. Take the time and sit down with your partner to write down what your specific goals are collectively. It may be useful to identify where you'd like to be down the road and develop different goals for five, ten and twenty years. This helps you to stay on track and gives you a great incentive.

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# The importance of a safety net



Just like your parents used to say, 'you're better off safe than sorry'.

The same can be said of your finances. One of the most underrated aspects of a healthy financial status is having a safety net. So what do we mean by a safety net?

Your safety net or emergency fund is something that you have to fall back on should you ever need it. Ideally you will never have to touch it but the peace of mind that you'll have knowing it is there is priceless. A good rule of thumb when developing your safety net is to aim for at least three to six months worth of expenses. If ever you lose your job, have unexpected medical expenses, need a home repair or experience any period of crisis then your safety net will become incredibly essential to your life.

The key is to develop your safety net and keep it separate from the rest of your savings. When you're creating your budget ensure that you create a goal that accounts for the development (or maintenance) of your safety net and you'll be one step closer to the financial freedom that you crave.

In the end your budget needs to be functional, attainable and aspirational. If it ticks all these boxes then you're more likely to follow through with it and achieve your goals.

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## Have a question?

At Finance Ezi, our clients are our business. With access to domestic and global financial services providers, Finance Ezi can meet any client's financial needs with a range of comprehensive solutions and products.

We're determined to provide every client with personalised, friendly service, no matter what their financial needs. We're not exclusive: our services range from cars to trucks, from bikes to caravans, as well as business, home, and equipment loans. With fast approval rates and speedy turn-arounds, we're Australia's number one option for finance solutions.

Drop us a line today to see how we can help you reach your finance goals.  
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Finance Ezi Pty Ltd

P. 1300 003 003

F. 1300 851 406

E. [managers@financeezi.com.au](mailto:managers@financeezi.com.au)

A. 68 Commercial Drive, Shailer Park QLD 4128  
PO Box 4905, GCMC Bundall Q 9726

**[www.financeezi.com.au](http://www.financeezi.com.au)**

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