

African Bank Limited press release

January 2019

Getting everyone involved in budgeting for a new year

New year - new resolutions!!! One of the best ways to start budgeting for a new year is to get everyone in the family involved in the family finances.

Mellony Ramalho, African Bank's Group Executive: Sales, Branch Network, says everyone starts a new year with strong resolutions but sometimes these are difficult to maintain or lose their appeal as money gets tight in January.

Budgeting is key and learning how to budget properly and sticking to a budget is a discipline that everyone should learn. "A budget should make provision for the here and now, but also include room for future goals like retirement or education. How well you manage your money and payments now will determine your future financial wellbeing. Families will find that if they can instil some sound principles in their children early, then soon everyone can contribute and benefit and the more likely the whole family will be to attain their financial goals," she says.

It all starts with drawing up a budget. "The best way to do this is to sit around a table and get all family members to think about their monthly expenses. Make it a fun exercise. For the kids this could include things like stationery, school trips, sports equipment, school lunches, tuckshop money, outings and so on," says Ramalho. For the adults, remember to include quarterly and annual expenses as well as daily cash spending. Include any policies such as retirement annuities, disability funds, medical aids and so on. Lastly make a list of all your debt repayments.

Once a list of expenses has been drawn up start working on an income list. Use current figures from latest payslips, bills and bank statements. Remember to include any additional income that you will be receiving for example, grants, incentives, bonuses or part time income, etc. "Only add the additional income into your budget when you are sure of the exact amount that you will be receiving," she adds.

Kids should also think about what income they receive. "This could include pocket money, monetary gifts, cash received from doing chores and so on. Teach them how to add up their income and then speak to them about what they would like to spend it on. It's a great opportunity to encourage saving and the concept of financial goal setting as they may need to save up for a special new toy or a fun activity," advises Ramalho. She says ideally it is good to get kids their own savings accounts as early as possible so they can learn about money. "At African Bank for example we are shortly launching MyWORLD, an innovative transactional banking account which will include savings pockets which can be allocated to your kids. This is a great way to monitor their spending and saving and teach them along the way."

Take your expenses and debt repayments and deduct these from your income to get an

idea of what you have left over at the end of the month or if there is a shortfall. If you have a shortfall on your budget, in other words, you don't have money left at month end, Ramalho recommends cutting back on luxury items that you don't need. "If you have additional income use it to try and pay off debt. Start with the credit with highest interest rate."

Financial goal setting is then the next step. "Make a list of your short- and long-term goals, and know what they are. Think about things like growing your family, education, planning for holidays, savings needs, upgrading your assets and standard of living, and retirement and funeral cover needs. Determine when you want to reach your goals and how long you will need to save for those goals," she says.

She highly recommends including your family in your goal setting plan so that you can work together to reach those goals. "Remember goals will only be reached if you make them part of your budget and saving plans. Every member needs to be committed and realise that they too will benefit from achieving the goals."

Make sure your goals are realistic, achievable and measurable. "If you aim too high, you may get de-motivated and you will not be able to exercise the monthly discipline you need to get there. When setting your goals, also take into consideration your family's needs and think carefully about these. For example, you should not buy a new car if school fees are not being paid. Goal setting can only be successful if you understand how to set your goals and then how to achieve them," says Ramalho.

"Remember to reward yourself when you see improvements and good financial behaviours. Celebrate as a family when goals are achieved. This should include the smallest goals, such as saving up enough pocket money to buy a new bike, to much bigger goals like paying off your home loan. It's a great way to bring the family together and to share financial responsibility. So don't wait, get a budget going and start making your family financial goals a reality," she concludes.

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