



Budgeting Sorted
Making a plan to reach our goals

\$orted
Building wealthy lives

powered by Commission for Financial Capability

What exactly is a budget?

A budget is a plan. We list the money that's coming in and plan how to spend it. We give each dollar a job to do. Simple!

Everyone benefits from having a budget – they're not just for people who have trouble making ends meet. A budget is a great tool to make sure we're getting ahead by steering our money where we want it to be.

To build a budget we simply add up how much money is coming into our household (our income), then add up how much money is going out (our spending). Then we work out the difference.

A budget lets us see whether we have money left over (a surplus) or not enough money to cover our spending (a deficit). The aim is to make as much surplus as possible so we have spare money to pay off debt and save and invest towards our goals.

What is a deficit?

A deficit is when we don't have enough money to cover our spending – in other words, we're spending more than we earn. Not ideal.

What is a surplus?

A surplus is when we have money left over – in other words, we're spending less than we earn, which is helpful.

Setting our goals

Setting goals helps us think about what we want in life and how we want to use our money. **Sorted.org.nz** has tools for setting goals and helping us work out the plan to reach them.

Find out ...
Am I earning more than I spend?



Online tools at sorted.org.nz

Order our goals booklet from sorted.org.nz/order

What we'll need

For a start there is the Sorted budgeting tool designed for use on a phone – it'll make this a lot easier.

- 1.**
A list of what we spend each week. One way of doing this is keeping shopping receipts; there are also smartphone apps that can help track spending.
- 2.**
Bank statements and bills for at least the past three months. These show how much we're spending each month on things like rent, mortgage payments, hire purchase, credit cards, telephone and power bills, and insurance.
- 3.**
A list of costs we pay from time to time, such as car licensing, medical expenses, gifts and holidays
- 4.**
A list of any money we get, such as pay, benefits or other government support, NZ Super or interest on our savings
- 5.**
A list of any money we save regularly

Putting it all together

It may take a couple of weeks to get all the information we need. When it's all together in one place, we're ready to build a budget.

Making a budget that works

For a budget to work, the information needs to be accurate and complete.

This includes little things like ice creams for the kids or bus fares and money for parking. A budget also needs to be up to date, so it's a good idea to check it regularly.

Building a budget

1. Our weekly income

Got all that information ready? Let's work out a budget.

We'll use this budget sheet or the budgeting tool on sorted.org.nz. And we'll need to set some time aside for this, and be realistic about the amounts – it's important to put down real figures for this budget to work.

If you receive fortnightly payments, divide them by 2 to get the weekly amounts.
For monthly payments, multiply them by 12, then divide by 52.

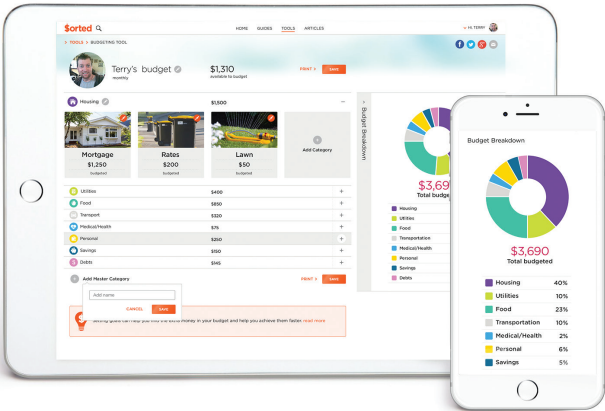
| | |
|---|----|
| Weekly take-home pay (after all deductions) | \$ |
| Benefits or other government support | \$ |
| NZ Super payments | \$ |
| Working for Families income | \$ |
| Child support | \$ |
| Board payments | \$ |
| Interest/dividend payments | \$ |
| Other income | \$ |

| | | |
|------------------------------|---|----|
| Add the above for the total. | 1 | \$ |
|------------------------------|---|----|

2. Our weekly spending

| | |
|---|----|
| Food & housekeeping (include extra milk, bread, etc.) | \$ |
| Rent/board | \$ |
| Child support payments | \$ |
| Fares/petrol | \$ |
| Personal cash (e.g. cigarettes, entertainment) | \$ |
| Children's school books, school trips, etc. | \$ |
| Children's pocket money | \$ |
| Donations (church, charity) | \$ |
| Work and Income repayments | \$ |
| Fines | \$ |
| Other weekly spending | \$ |

| | | |
|------------------------------|---|----|
| Add the above for the total. | 2 | \$ |
|------------------------------|---|----|





3. Our monthly spending

If you pay fortnightly, work out the monthly amount by multiplying the amount you pay by 26 and then dividing it by 12.

| | |
|--|----|
| Mortgage payments | \$ |
| Power/gas | \$ |
| Telephone (including mobile, broadband) | \$ |
| Insurances (house, contents, car, medical, life) | \$ |
| Credit cards: 1 | \$ |
| Credit cards: 2 | \$ |
| Credit contracts (hire purchase): 1 | \$ |
| Credit contracts (hire purchase): 2 | \$ |
| Loans (e.g. car loans, personal loans) | \$ |
| Equipment rental (e.g. washing machine, TV) | \$ |
| Other monthly spending | \$ |

| | |
|--|------|
| Step 1. Add the above for the total. | \$ |
| Step 2. Multiply by 12 months (x 12). | \$ |
| Step 3. Divide by 52 (weeks per year). | 3 \$ |

4. Our yearly spending

| | |
|---|----|
| Rates (including water) | \$ |
| Car licensing and warrant of fitness | \$ |
| Car maintenance and repairs | \$ |
| Fees and subscriptions – schools, kindergarten, clubs | \$ |
| Medical (including doctors, dentist, prescriptions) | \$ |
| Pet costs (vet, vaccination, dog registration) | \$ |
| Home maintenance | \$ |
| Clothing, shoes, uniforms | \$ |
| Gifts | \$ |
| Holidays | \$ |
| Regular savings | \$ |
| Other yearly spending | \$ |

| | |
|--|------|
| Step 1. Add the above for the user | \$ |
| Step 2. Divide by 52 (weeks per year). | 4 \$ |

5. Our results

Put the total from box 1 here.

| | | |
|---------------------|---|----|
| Total weekly income | 5 | \$ |
|---------------------|---|----|

Add boxes 2, 3 & 4, and put their combined total here.

| | | |
|-----------------------|---|----|
| Total weekly spending | 6 | \$ |
|-----------------------|---|----|

Subtract box 6 from box 5. Write the answer here.

| | | |
|-----------|--|----|
| SUM TOTAL | | \$ |
|-----------|--|----|

Tick the box that's right for you:

| | |
|--|--------------------------|
| The amount in box 5 is bigger than box 6. <i>The amount in box 7 is my surplus.</i> | <input type="checkbox"/> |
|--|--------------------------|

| | |
|---|--------------------------|
| The amount in box 5 is smaller than box 6. <i>The amount in box 7 is my deficit.</i> | <input type="checkbox"/> |
|---|--------------------------|

Got the budget – what's next?

Now we've made our budget, let's look at what to do next if we have money left over (a surplus) or not enough to cover our spending (a deficit).

If there's not quite enough money to go around (a deficit)

Here are our options:

- Check the budget. Are there any ways to reduce spending?
- Find ways to pay off more debt to reduce repayment amounts.
- Call 0800 774 004 to check our entitlements – such as Working for Families tax credits, the Accommodation Supplement or Childcare Assistance.
- Find ways to earn more income.
- Get help from a budget adviser.

If there's money left over (a surplus)

Here are our options:

- Budgets need to breathe! Are there any expenses where a little more money would make the budget work better?
- Use the surplus to pay off debt faster.
- Save and invest the surplus towards a goal, such as having an emergency fund, buying a house or saving for a holiday.
- Get some advice on how to make the savings grow for the future.
- Make a date to check this budget in six months' time.



Getting help

Family Budgeting Services can help with budgeting, and it's free and confidential. Call 0508 BUDGET (0508 283 438).

A trained budget adviser will answer questions over the phone or recommend a local adviser. Family Budgeting Services has budget advisers throughout New Zealand who can explain how to make and operate a budget.

Try Sorted's online tools at sorted.org.nz.

Budgeting made easy

Budgets can also be built with Sorted's budgeting tool. Enter in income and spending, and it calculates a surplus or deficit.

Sticking to the plan

Now that we've made a plan for our money, we can use the Sorted's money tracking guide on sorted.org.nz to see where our money really goes.



Budget, don't fudge it!



Online tools at sorted.org.nz

A budget that just works

Jimmy and Aroha live with their 3-year-old daughter in Hastings. When they bought their first house they decided to work out a budget together.

Building their budget took time but, once it was done, Jimmy and Aroha could see where their money was going. They found there were some areas where they could spend a bit less and put that money towards paying off debt.

While the budget was hard to stick to at first, Jimmy and Aroha have now paid off their hire purchase and saved \$5,000 towards an emergency fund that they can use when they need it.

Jimmy's top tip is to be realistic when working out a budget. At the start, Jimmy and Aroha just wanted to pay off their debts and they didn't leave enough money for their weekly expenses. So they changed their budget to have a bit more money to spend each week – making that change meant the rest of their budget could work after all.



Where to now?

1. Gather all the information needed – spending, income, statements and bills.
2. Build a budget.
3. Work out if incomings are more than outgoings.

Next steps:

e.g. call 0508 BUDGET on (date), track my spending



Notes:

For more help, order our Sorted booklets at sorted.org.nz/order