

Behind the Counter

Personal Budgeting

Since we are into the shopping portion of the Christmas season, I thought some comments on personal budgeting and budgeting for the holiday season might be helpful. Some people consider budgeting as the diet for your finances and we all know how they don't work – diets, not budgets. But if we change our attitude about dieting from being a starvation issue to be an eating lifestyle change, then the diet seems to work. Budgeting is much the same. When we change our attitudes about budgeting our finances from I can never spend again to I now know how to spend wisely, then budgets seem to work and we get closer to our goals.

Budgeting is all about our personal financial goals and how to reach them. Some of us have a goal of saving for and buying a house, others want to have enough money for retirement, others want to purchase a vehicle and some want to get more education. So the first step in personal budgeting is to have the goal forefront in your mind at all times, perhaps a note on the bathroom mirror so that you can start each day with your goal in mind.

It amazes me that every year, at Christmas time, personal goals seem to fly out of the window and people overspend. Perhaps the cause is the advertising, or perhaps the cause is hidden guilt and feeling like we need to make up for something at Christmas time, like the case where a retired mother still buys a present for her 55 year old son, even though the son makes more money than the retired mother on a fixed income. The gift is opened Christmas morning and ends up at the Thrift shop later that week and the mother eats soup for the month of January because she overspent.

It is very important that we try to figure out what our spending habits are and why we overspend, then when we are triggered to purchase something from an emotional response, it will be easier to put the brakes on.

December is the time to review our goals for the year, to review how much closer we are to them and to set goals for the new year. There are several excellent books on the market and information on the internet on the subject of personal financial planning and all of them have some very good suggestions.

Some of the better suggestions that I have come across are in the case of credit card overspending. Place your credit cards in the freezer for about 6 months until you get the balance paid down. Take advantage of the low credit card rates for new customers if they allow you to transfer over balances from other credit cards. Transfer those balances over and cut up the old credit card. That way you will pay less interest on your purchases, but you need to watch when the introductory rate expires and try to find another credit card at that time with a low introductory rate and transfer your balances again or have your balances paid off. Don't use your credit card unless you can pay off the balance each month, or set up a credit card with a low credit limit, so that you can pay it off each month and finally – stick to cash purchases only.

Watch your debt load. If your debt load including rent/mortgage is greater than 55% of your gross income, you are probably finding it really difficult to make ends meet and you should look for ways of reducing your debt. January is a very big month for consolidation loans where people consolidate all their debt into one loan to make up for the December overspending. Unfortunately, in some cases the loan simply grows every year.

Keep a record of your expenditures for a month or two. Take a note pad with you wherever you go and just write down what you spend money on. Most people find it very illuminating to discover just how much money they waste on a daily basis. From this record, you can then develop your budget and savings plan.

The best rule of thumb that I have come across for saving is that every time you receive a pay cheque or money from any source take 20% off the top and place that in a savings or investment plan so that your money works for you. In other words, before you pay your bills or anything else – Pay Yourself First!

Gabriele Banka is a Certified General Accountant and the owner of Banka & Company Inc. She can be reached at 763-4528 or info@bankaco.com.