Managing

Finances

With A

Budget

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Introduction

Define the importance of managing finances effectively.

* Managing finances effectively is crucial as it allows one to keep track of how money is spent on day to day necessities or to be used in the future. In essence, effective financial management is indispensable for establishing stability, attaining objectives, minimizing debt, making intelligent investments, handling risks, and guaranteeing enduring financial well-being. It empowers individuals, businesses, and governments to prosper and play a significant role in fostering a more stable and prosperous society.

Concept of Budgeting

* A perfect tool that is incorporated in everyone’s lives is budgeting. Many don’t realize they have practiced using this tool before but knowingly doing so will be a life changing experience. This tool

is crucial and effective for financial management and it entails formulating a comprehensive plan that outlines projected income and expenses for a specific period, usually on a monthly or annual basis.

Setting Financial Goals

* Short-Term Goal
* Taking care of immediate expenses to allow continuation of work, productivity and a stable livelihood.
* Mid-Term Goals
* Saving for an emergency that may arise at any time.
* Saving towards a professional workstation and a laptop.
* Paying off student loan
* Long-Term Goals
* Saving to buy a house
* Retirement fund
* Investments

Creating a Budget

* A budget was made for both Mario and Luigi. Reffering to the excel file, you will see comparison of each budget. Mario’s budget is based off of him living alone while Luigi’s budget is off of him living with his uncle. Both are just staring out in the working world but shown in the file, you will also see where one may have a better start as compared to the other.

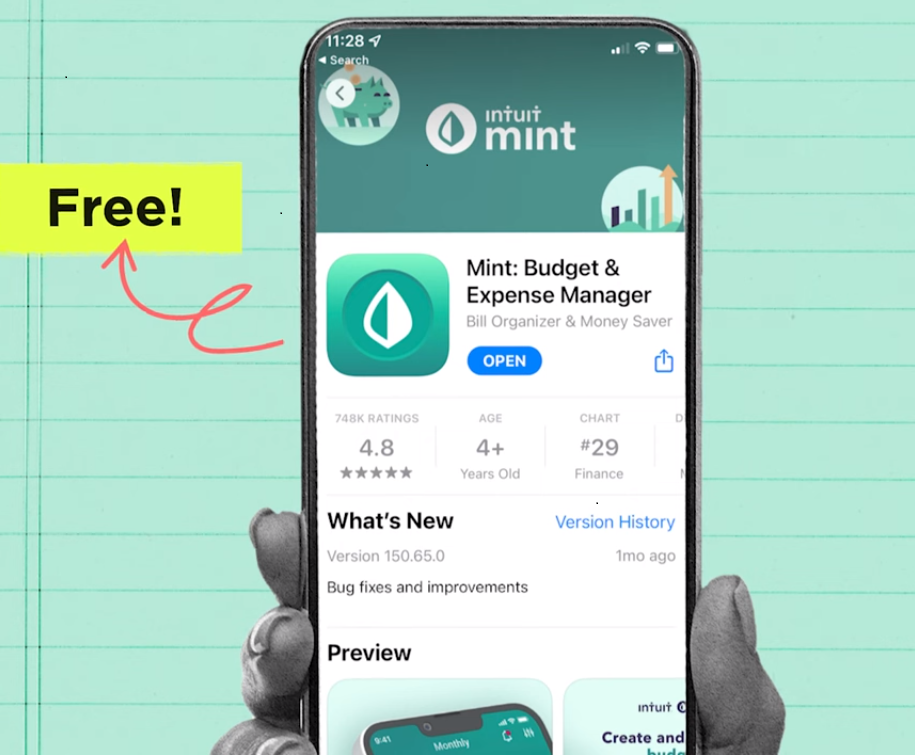
Adjusting Budget

* Differentiating between fixed and variable expenses to determine what to focus on when adjusting. Variable, as the name suggest, means not fixed and can be changed. Allocating more funds to those expenses will help in any event of change as well as having another savings fund in case.

Monitoring and Tracking Expenses

* While researching, Mario came across the Mine app.. This app is recommended by its popularity and mainly positive reviews. This app is what Mario uses as his tracking tool, it allows him to track his expenses and places them in budget categories. He can personalize these categories, which are unlimited. He can set limits for these categories, and Mint lets him know if he’s approaching those limits. Mint may help Mario pay down debt, save more money and track goals by providing the “Mintsights” feature.

Here is a picture of what the app looks like:



* An honourable mention is using ChatGPT to help create a plan.

Savings and Investment

* Going off of the %50, %30, %20 rule, Mario is saving 20% of his total income. Within that, he will invest a small portion of it into Index Funds. These are a pre-packed bundle of stocks. Using index funds, he doesn’t get to have the risk of choosing underlying stocks and mutual funds. Rather, a team of investors and financial advisors manages these funds for all people who invest in them. The benefits to this is that it allows Mario to save time on researching investments and constantly monitoring the stock market. Thus, this type of investment strategy will help the overall future outcome for Mario.

Conducting periodic reviews of the budget and financial progress

* Reviews will be conducted in a quarterly period. Considering making a comparison between Actual funds and budgeted funds. Mario will have to aim to find any variations and discrepancies. As such, the ability to always being able to adjust will be very crucial in helping to stay on track. Finally, after reviewing, Mario will have to learn from what he has, plan ahead and improve on it to ensure its better and more comprehensive.

Debt Management

* Mario has to repay his student loan and being a postgraduate, the interest rate is 9.5% if payed in the agreed remaining 5 years. The funds were calculated and within 5 years this debt is expected to be paid off. The loan covered all his tuition fee which was 1 million dollars and with interest rate the among to be paid will be $1,095,000. Mario had already started paying for this load before work and almost half of it was paid which was $495.000. Due to this goal being clear and calculated and debt consolidator would not be needed however having one would still be beneficial if need to pay off the loan as fast as possible.

Seek Professional financial advice.

* Seeking a financial advisor help in educating Mario on financial management. Not only can they help in investments as mentioned previously, but they can also help in most if not all financial situations with their extensive experience and expertise. They help individuals such as Mario to become more aware financial situations, potentials and risk factors that may be in the budget. For example, Mario didn’t take into consideration and issue might occur where he might have to relocate. Finding a new place could cost more and shedding light on this will help Mario to prepare for said impediment if it were to arise.

Conclucion

There are several key points of managing finances with a budget. These are as follows:

* **Goal Setting:** Defining clear financial objectives, whether saving for emergencies, debt reduction, or long-term investments.
* **Income Tracking:** Keep track of all sources of income, ensuring an accurate picture of available funds.
* **Expense Categorization:** Categorize and list all expenses, distinguishing between fixed (rent, utilities) and variable (entertainment, dining) costs.
* **Budget Creation:** Develop a budget that allocates income to different expense categories while leaving room for savings and investments.
* **Prioritization:** Allocate funds according to priorities, ensuring essentials are covered before discretionary spending.
* **Regular Monitoring:** Continuously track expenses against the budget to identify areas where adjustments are needed.
* **Adaptability:** Be prepared to adjust the budget as circumstances change, accommodating unexpected expenses or changes in income.
* **Debt Management:** Allocate funds for debt repayment, focusing on high-interest obligations to reduce debt over time.
* **Savings and Investments:** Set aside a portion of income for savings and investments, enabling growth and building financial security.
* **Discipline and Consistency:** Adhere to the budget consistently, practicing self-control to avoid overspending and staying on track toward financial goals.

A well-managed budget empowers individuals to make informed financial decisions, reduce debt, save for the future, and achieve overall financial stability.

Fun Fact

* According to “[68 Budgeting Statistics & Money Saving Facts You Didn't Know (trendsandtactics.com)](https://www.trendsandtactics.com/budgeting-statistics/)” a statistics that was done a year ago shows the percentage of persons who monitor their finances and who don’t.