

# **Budgeting and Saving**

Budgeting is a tool in managing personal finances whereby an individual plans and prioritizes his/her use of money. Basically, the best way to come up with a budget is by listing all sources of income and categorizing all expenditure. These expenses typically fall into two groups: overhead and direct costs would be, for example, rent in an office or for a house and a car, or the cost of food and nights out. Thus, analyzing this breakdown, one can notice if there is overspending on particular categories or if it is possible to save even more. The use of budgets is also to an individual in a way that their expenditure is in accordance with his or her ability and whereby he or she is discouraged from borrowing.

Subsequent to achieving a feasible budget, it is critical to actively adhere to a saving regime. Savings refers to the act of putting aside a portion of the income to cater for future needs, such as in an emergency, to cater for a major expenditure, or to make investment towards a retirement. The best outlook towards saving is to consider it as an expense that cannot be eliminated like a monthly bill that must be paid. If one can set up automatic transfers to a savings account or investment, a particular amount of money must be saved every month without easily overspending on it. Further, creating an emergency fund should be prioritized to cater for such emergent expenses such as hospital bills or car breakdowns.

Budgeting and saving are two strategies within monetary policy that support each other

to create firm foundations and secure everyday financial needs. A good budgeting system assists in controlling expenses and achieving a balance to allow for saving while a good saving culture prepares for a balanced and prosperous future. The idea of budgeting and saving rules states that, with some persistence and practice, people can build up substantial sums to fulfill their major life goals: buying a home, traveling, or being financially independent and doing what you love. The important thing is to not aim for the stars at the beginning and incrementally stick to the budget and the savings plan, revisiting them at every stage.