



MONEY MANAGEMENT

# How to budget your way to better financial health

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IT'S NO secret that times are tough right now, and too many of us are battling to make ends meet.

What's not always too clear, however, is what you can do when you find yourself in a sticky financial situation.

Or better yet, how to avoid getting into one in the first place.

The good news is that there are actions you can take to help keep you from sliding deeper into debt or a desperate financial position, and yes, I mean besides prayer or winning the lottery. One of these actions is developing and sticking to a realistic household monthly budget.

A proper household budget will not only deliver you from the misery of not knowing where your income seemingly disappears to every month, help you to confidently plan and save for the future.

What is more, the technology revolution has made preparing and living your budget easier than ever, with some banks introducing these services online and budgeting apps available.

In 2020, the Financial Sector Conduct Authority (FSCA), in partnership with the Human Sciences Research Council, conducted a baseline survey which showed a decline in the number of adults using a household budget to guide their daily money decisions and spending patterns.

Approximately half (46%) of South Africans aged 16 years and older said they had a household budget, a worrying decrease from 2017 when the figure was at 54%.

Of those who had tertiary education, 63% reported having a budget – which was significantly lower for other education groups, indicating a positive relationship between those who budget and education levels.

Moreover, South Africa has a high unemployment rate, officially at about 35% of the economically active population. This adds to the already substantial socio-economic disparities caused by apartheid, poverty and high levels of inequality.

Many families have been living in survival mode for years, depriving them of a steady income that allows them to budget or save for the future. Add to that the rising cost of living, and you have a country that is financially against the proverbial ropes.

The recent Household Affordabil-



PUTTING your money where your mouth is.

ity Index, which collects data from supermarkets in Johannesburg, Durban, Cape Town, Pietermaritzburg and Springbok, confirms sharp increases in food prices in recent months, with the average cost of the household food basket increasing by R92.84 or 2.1% between March 2022 and April 2022.

Year-on-year increases on the same basket were around R344.00 or 8.2% between April 2021 and April 2022. All this while salaries remain constrained because most employers are still feeling the effects of Covid-19 and the impact of the Russia/Ukraine war.

These headwinds call for households to be more intentional in how they manage their finances. Crafting a household budget is a key tool in doing that. It should be drawn up prior to pay day because such planning will ensure expenses do not exceed income on a monthly basis.

This habit will grow to a point where household debt can be reduced, and any budget surplus can be used to start or increase savings.

Understand where all your income is coming from. Being clear about the sources of income in a household, including extra streams such as rentals and "side hustles", will help you plan

your finances based on a real view of the money you actually have available.

Detail all expenses. There is no irrelevant expense when working with a budget. Every cent counts, and it should be counted. Include a buffer of between 15 to 25% of your income for savings and unexpected emergencies.

Track your expenses. This is an important element for the success of your budget exercise. Allow the most responsible family member to manage the finances, as they will be able to hold everyone accountable.

It is important to know that money is being spent as planned, and where there is deviation, this must be properly accounted for. It won't be easy, but it will set the household on a path to a lifetime of financial security.

Connect with a Certified Financial Planner for more money-saving tips and financial products that are suitable for your unique family situation.

For an Authority like the FSCA, whose primary concern is the protection of financial customers and ensuring they are treated fairly, it is clear to us we cannot effectively discharge that mandate without helping customers improve their relationship with money. For customers to make

informed decisions about the financial products and services they need, foundational financial management practices like budgeting must already be in place.

In fact, this is so important to us that for six years now, we have been cultivating these practices at school level by running the annual Financial Literacy Speech Competition, which was concluded in Cape Town last week.

Each year, learners from non-fee-paying schools around the country research and present a speech on budgeting, financial planning, saving for retirement, and starting a business.

Over the years, the competition has seen over 3 500 pupils from over 300 schools participating.

Its impact has been heart-warming, not only because these principles have had a transformative effect on the participating pupils, but more so because they have also enriched the financial lives of their families and communities.

◆ Watch the video of the event: <https://www.iol.co.za/personal-finance/financial-planning/watch-budgeting-your-way-to-better-financial-health-3aaf000f-5361-4dc8-ad47-64487c0b5a88>

