



Snapshots™

STARTING OUT: BUDGETING

ONE OF THE MOST CRUCIAL PARTS OF MANAGING YOUR FINANCIAL AFFAIRS IS ESTABLISHING AND MAINTAINING A REALISTIC BUDGET.

Without understanding the sources and uses of your income, you will not be able to understand where you are financially and certainly not where you are going. It is probably safe to say that the majority of people who encounter financial difficulties—sometimes even leading to bankruptcy—have not had or have not followed a proper budget. Financial issues are often the number one item that people cite as a source of stress in their lives. Establishing and becoming used to following a budget will go a long way to eliminating or at least reducing that stress. It may take some time and seem like a chore initially, but the benefits will be substantial and long-lasting.

Here are two budget templates, a [Monthly Student Budget](#) and a [Monthly Starting Out Budget](#) that you can use to fill in to keep track of your expenses. The Monthly Starting Out Budget is designed for young professionals or if you're just entering the workforce; the Monthly Student Budget is a simpler version created with post-secondary students in mind.

Managing the Budget and Savings

Once you establish your initial budget, you need to consider what adjustments are needed or possible. If the final line is negative, it means that you are living beyond your means and will be slipping into a debt situation. This can cause you major problems, particularly in the medium to long term.

If you are in a debt situation—or even if you just want to be able to save more each month—you should analyze your budget to determine where you may be able to find savings. The first place to look should be your discretionary expenses. These will fall mostly under the 'Lifestyle/Miscellaneous' section of the budget, but could also include expenses such as eating out in restaurants. For example, you might find that you can reduce the amount or type of dining out you are doing, or modify your vacation plans. However, you might find that even by reducing your discretionary expenses that you are still experiencing a monthly shortfall. At this point, you will have to determine if some of your non-discretionary costs can be reduced or even eliminated. Some areas where you might find savings are:

- Using an automobile less and using public transit more; or in a more extreme case, getting rid of your automobile or buying/leasing a less expensive model
- Bringing breakfast/lunch to work
- Rather than going out for a movie, entertaining at home with games or a DVD
- Taking turns hosting dinner parties with your friends to limit the amount you spend eating out
- Purchasing fewer clothes
- Determining if you are paying too much for rent and if it makes sense, instead, to move to a more affordable location
- Finding out if a more economical cable/telephone service is available

The Importance of Saving

Beginning a savings program when you are young will help to ensure a secure future and the lifestyle you want. You may find it difficult to set aside savings at this point of your life, but getting into the habit now will serve you well later in life. Consider setting up a Pre-Authorized Chequing (PAC) savings plan through which you can direct as little as \$25 dollars a week to the investments of your choice. Not only will you benefit by giving your investments more time to build and grow, but the automatic monthly deductions will be incorporated into your monthly budget and become one of your normal expenses.

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