



Calculating Your Budget

(and Money Management)

March 2006 (FA004)

What is a budget?

A budget is simply an organised way of managing your finances. Budgeting is the best way of assessing your financial needs and it gives you an overall 'picture' of where your money is coming from, when it's coming in, and how it's being spent.

Many people think that preparing a budget is too complicated. Unless you are affluent or financially comfortable, budgeting should be seen as an essential part of life, particularly as you may be on the financial 'edge' for most of your course.

Most importantly, it can be very simple to do.

Knowing how to control your finances is an invaluable 'life skill'.

Preparing a Budget

- ❖ Write down all your expenses for the week or the month or the year (it's up to you).
- ❖ Assess whether the total of your income from work or government assistance, your savings and any contribution from your family, for the same period, will allow you to meet those likely expenses.
- ❖ If you predict a shortfall in funds for the period, you will need to consider:
 - **increasing your income** with additional work, loans, etc, and / or
 - **decreasing your expenditure** by cutting your costs, to enable you to survive in your course.

This is **your** budget and it should be based on your values and the way 'you like to live', within the limits of your predicted income and savings, of course. Your level of expenditure is likely to be significantly affected if you: own a car, own a computer and access the internet, smoke, like eating out regularly, drink alcohol, own a mobile phone, enjoy an active social life, participate in recreational activities, etc. These are all decisions you make, but the costs will need to be included in your budget, and, of course, be paid for while you're studying.

Budgets often fail because people don't plan for irregular predictable expenses. It is easy to remember the regular, routine expenses such as your weekly travel card, monthly rent, etc. But it is essential not to forget the predictable, irregular or one-off annual costs, such as course costs, car maintenance, etc.

- ❖ Plan for unexpected costs (such as medical or dental expenses, car repairs etc) by regularly putting money aside for 'emergencies'.
- ❖ When estimating expenses, it is best to think 'slightly higher' initially to account for price rises and other unpredictable events.

On page 4 is a budget form for you to complete. Before completing the form, please read the advice / instructions on page 3.

- ❖ Check your budget on a monthly basis.
- ❖ **A 'Quick Reality Check'**
When estimating your expenditure think of all your costs in terms of your wants and needs. Write down all the purchases / payments you would like, and expect to make. Be less careful about your actual need at this stage. Then compare it against your likely total income and savings. If you are significantly short of cash, analyse your costs list and start deleting those that can be classified as a want or a luxury, and not an essential or needed item.
- ❖ Create an Excel or Lotus spreadsheet on a computer to save time, and to avoid having to rework the figures all the time.

Money Management

To control your finances, one approach is to divide up your income and savings into 'parts' to help you meet the regular costs and plan for future bills, while still using some of your cash on social and recreational activities.

For example:

Regular costs	60%	Rent / Food / Transport etc
Planning for Bills	15%	Fees / Electricity / Gas /Telephone etc
Spending Money	15%	Entertainment, clubs, etc
Emergencies / Savings	10%	Unexpected costs / presents etc

Critical thinking is the key to money management. Before you buy any item or service, examine your needs, and be honest with yourself about what you really need, and what you want or would just 'like to have'.

If you need more cash, try some *creative thinking* also. Examine your skills and interests - computers, art, crafts, photography, writing etc. *Is there any potential for extra income?*

Do you have any clothes, books, CDs you never use and wouldn't miss if you sold them?

A Spending Diary

Consider keeping track of your expenses for a couple of weeks or a month. Write down all your costs in your Student Diary, and at the end of period, add them up. The results will give you a 'real life' indication of what is costing you money, and how much. You'd then be able to make some decisions on any expenses which are a 'waste of cash' and can be avoided.



Corbis.com

Completing the Budget Form (on Pages 4 & 5)

Advice and Instructions

The Budget is for the **full calendar year** (January to December). That is, the semester teaching and examination periods as well as vacations.

Expenditure

- ❖ Don't write in any amount in the expenditure **shaded boxes** marked with an '**X**'.
- ❖ **For any debts or loans** - only write in the total amount of the debt that you expect to **repay** during the year.
- ❖ Write the amounts in the expenditure box for the most appropriate period. (eg. if you pay rent on a monthly basis write in your rent amount in the MONTH column for Rent or Board.)
- ❖ In some cases, you may write expenditure amounts in more than one column. Some examples are -
 - Public Transport** - if you have an annual Transport Concession Card, write the cost of the card in the YEAR column. Also write the regular travel card (fare) costs in the WEEK or the MONTH column
 - Car Costs (other than petrol / fuel)** - if you own a car, you might write in Insurance and Registration costs in the YEAR column and average maintenance / servicing costs in the MONTH column.
- ❖ **Weekly Spending Money** - don't forget to include any costs you incur for sporting activities, gym membership, alcohol, cigarettes and other social & recreational activities.
- ❖ **Establishment costs** - only write in any costs incurred this year. If you are continuing to **rent** in the same place as last year your costs should be lower, and, you don't usually need to write an amount in the **Bond** box (this amount will usually have been paid when you started renting your current accommodation prior to this year).

- ❖ For each of the columns - add up the costs to arrive at an amount in each of the **Total A** boxes.
- ❖ For each **Total A** box multiply by the number of weeks (eg. For the **Fortnight** column multiply by 26).
- ❖ The results for each column should be written in the **Total B** boxes.
- ❖ Add up all the **Total B** boxes to give you your **Total Expenditure**.

Income

- ❖ The weekly income amounts for the periods should be the estimated average income amount you have received in the year, or the amount you expect to receive in the remainder of the year.
- ❖ If you are paid salary / wages on a fortnightly basis, divide your average fortnightly income by **2** (to give a weekly average income amount)

Partner?

- ❖ If you have a partner or spouse - you may decide to write in the costs incurred and the income received by you and your partner (or spouse).

EXPENDITURE

Week	Fortnight	Month	Year
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Cost types

Rent or Board

Bond / rates for the year

College Fees (if applicable)

General Establishment Costs

Furniture (only if needed this year)

Household contribution/Food/Supplies

Lunches

Weekly Spending Money

Entertainment / Sporting Clubs

Bills (eg Gas, Electricity, Telephone)

Additional Costs of any Dependents

Public Transport (Fares & Conc'n Card)

Car Costs (other than petrol / fuel)

Petrol / Fuel costs

Computer Costs / internet

Loan Repayments due this year

Debt Repayments due this year

Course costs / Books

Course related equipment

Course Fees (if applicable)

HECS (only if paying Up-Front)

Student Union Fee (optional)

Medical / Dental / Optical expenses

Other Costs (eg. Clothing / Shoes)

			XXX
XXX	XXX	XXX	
XXX	XXX	XXX	
XXX	XXX	XXX	
	XXX	XXX	XXX
	XXX	XXX	XXX
	XXX	XXX	XXX
		XXX	XXX
XXX	XXX	XXX	
XXX	XXX	XXX	
XXX	XXX		
XXX	XXX		
XXX	XXX	XXX	

= = = =

Total A**Multiply by number of weeks**

52	26	12	1
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= = = =

Total B**Add all amounts in Total B boxes =****Total Expenditure**

INCOME

Weekly Amounts	\$ average per week	No. of Wks worked	Totals for periods
Employment Income - Periods			
January & February (8 week period)		X	=
March to May (13 week period)		X	=
June & July (9 weeks)		X	=
August to October (13 weeks)		X	=
November & December (9 weeks)		X	=

Total Employment Income **A**

Youth Allowance, Austudy, Abstudy	
Newstart Allowance	
Scholarship	
Spouse's Income (if applicable)	
Parental Allowance (weekly)	
Government Parenting Allowance	
Government Pension	
Pensioner Education Supplement (PES)	
Any other weekly income:	

Total Additional Weekly Income **x 52** **=** **B**

Yearly Amounts (Lump sum)	\$ per year
Savings (at beginning of year)	
Parental Allowance (if lump sum)	
Bank interest / Share dividends	
Taxation Refund	
Other:	

Total Lumpsum Income (add all yearly amounts) >>>> **C**

Total of A, B & C above **= Total Annual Income**

Transfer Expenditure **Total Annual Expenditure**

Total Income less Total Expenditure **= Surplus or Deficit**

1. ***You have a comfortable surplus***
(Your income is much greater than your expenditure)

Although you probably don't feel financially stressed, it is still very important to consider your financial goals and save for unexpected costs.

2. ***Things are a bit tight***
(Your income and your expenditure are similar amounts)

On-going budgeting and money management are essential. Explore ways of reducing your expenses, and strategies for increasing your income, to ensure that you will financially survive the year. (see options and advice below)

3. ***You have a significant deficit***
(Your expenditure exceeds your income by a disturbing amount)

Some important decisions will need to be made about issues such as: significantly cutting costs, increasing your income, securing a loan, reducing your study workload so that you can generate more income from work, or, seriously considering whether to take leave of absence from your course to get your finances back in the black. (see options and advice below)

Some Options

Cut Costs Contact Student Financial Aid for a list of ideas

Extra income from part-time work - see the advice on **page 8**.

Loans - investigate student loans from the Melbourne University Credit Co-operative, the National Bank, the Commonwealth Bank, and Student Financial Aid.

Visit Student Financial Aid for advice - arrange an appointment with a Financial Aid Adviser.

Government Assistance

If you are not currently receiving government assistance, contact **Centrelink**, or visit their website, to check whether you are eligible for financial help, and the Health Care Card which can be used to receive various concessions.

Credit cards - and other pitfalls

When the cash is low, it is easy to 'fall' back on credit cards, or other attractive offers. But be wary.

Credit Cards Credit cards can be a very convenient way of buying items, when you don't have the 'ready cash'. But if you don't control your expenditure and repayments they can come back to 'bite you'. The outstanding amount, with the interest, can build up quickly and lead to serious stress on your finances.

Cash Advances For most credit cards there will not be an interest free period for cash advances. Interest will be charged immediately.

Purchases with Interest Free Periods In some cases at the end of the interest free period, if you don't pay your account in full, interest may be charged from the date on which credit was first provided. And, the interest rate might be 20% or more!

Bank Charges Remember that most banks will charge a fee (eg. \$1.50) for each time you withdraw cash from an Automatic Teller Machine (ATM) which is not located at one of the branches of your own bank. (eg. Withdrawing cash from a Westpac Bank ATM using a Commonwealth Bank Card)

Self Assessment

Are you constantly borrowing money from friends or relatives?

Do you usually pay your bills late?

Are you paying more and more of your income to pay debts?

Is your income running out by the end of each week or fortnight?

Are you paying only the minimum amount on your loans or credit cards each month?

Are you at or over the limit on your credit cards?

Have you put off visiting the dentist, buying a prescription or an important book or an essential item because you can't afford them?

Are you uncertain exactly how much money you owe?

If you answered yes to **any** of the questions you definitely should be budgeting,

If you answered yes to **more than 2** of the questions, financial difficulties are here, or on the way, and some serious money management is essential.

Sacrifices

You may have to consider some sacrifices to help you at least 'balance the budget'.

Low Cost Time Zones

Maybe for one week a month, or 2 - 3 days each week, you should establish time periods, when you have a quiet time studying, or with friends. Eat-in, borrow videos from one of the libraries on campus, see how cheaply you can make a good meal, limit your travel (walk where possible), find some free entertainment (galleries, etc.), make your lunch, etc. It is possible to have an enjoyable time without spending much, and it will relieve budget stress.



Contact Information

Student Financial Aid

Ground Floor, Baldwin Spencer Building
Corner Union Road & Tin Alley
University of Melbourne 3010

Telephone: **8344 6550**

Fax: **8344 5624**

Website: **www.services.unimelb.edu.au/finaid/**

Explore Your Options!

Part time / casual employment

Careers & Employment Noticeboard

- ❖ New Job offers are posted daily at Careers & Employment (Grd Flr, Baldwin Spencer Building)
 - ❖ Offers are available in all types of work including hospitality, information technology, childcare, and administrative
 - ❖ The office is open between 8:45am-5pm every weekday
 - ❖ All offers are available on the internet at www.services.unimelb.edu.au/careers/
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- ❖ Students can earn between \$15-\$20 per hour
 - ❖ Tutoring is a flexible way to earn money and is popular with many students.

Recruitment Agencies

- ❖ Send your resume (or CV) into 3 or 4 recruitment agencies (see below)
- ❖ Agencies are constantly looking for reliable students to keep on their database. They know that students have sound computer skills, are flexible, and keen for work.
- ❖ Not all agencies are looking for skilled office workers. Some deal only with unskilled labour and students can earn up to \$300 for a weekend's work (For example: work such as furniture removal, stocktaking, shelf filling / stacking).

Drake
Level 40 / 55 Collins St
Melbourne 3000
Ph: 9245 0300
www.au.drakeintl.com

Both skilled and unskilled positions available

IPA
Level 19
Herald and Weekly Times Building
40 City Rd
Southbank 3004
Ph: 9252 2222
www.ipa.com.au

Skilled positions available

Benchmark Recruitment
Suite 501 / 434 St Kilda Rd
Melbourne 3000
Ph: 9867 8500
www.benchrecruit.com.au

Both skilled and unskilled positions available

Further Assistance

Careers & Employment provides information on:

- ❖ Job hunting techniques
- ❖ Canvassing for work
- ❖ Recommended Rates of Pay

A Student Careers Adviser is available to assist with successful job hunting techniques.

We also offer:

- ❖ Access to employment web sites via web browsers
- ❖ A copy of Saturday's Age Employment Section
- ❖ Resume and cover letter writing and Interview Skills information at Careers & Employment (First Floor, Baldwin Spencer Building)

