



Calculating Your Budget

(and Money Management)

What is a budget?

Budgeting is the process of balancing your income with your expenses, and saving what you can to achieve your financial goals. A budget is a plan of how you will manage your income and spending in the future.

A budget is the best way to assess your financial situation. It gives you an “**overall picture**” of where your money is coming from, when it's coming in, and how it's being spent. The most common reason for doing a budget is to work out all your predicted expenses and to make an assessment as to whether you will be able to meet those financial commitments.

Many people think that preparing a budget is too complicated, that they don't have enough money to budget or that they have plenty of money and would prefer not to be restricted by a budget. It is important to remember that by creating a budget you are putting yourself in control of your finances.

Why is budgeting important?

- The majority of people are on a limited income, a good budget will help you to get the most out of your money and avoid debts
- Budgeting can help you achieve your financial goals whether it be buying your textbooks, going to a concert or saving for a holiday
- Budgeting can help prevent you stressing over money
- Budgeting can give you a sense of control over your finances and your life
- If you can see where your money is going, it can help you manage your expenses more effectively

Getting Started

An important first step to creating a budget is to identify your sources of income. For example; when and where is your money coming from and how much money? The next step is to identify what your expenses are and examine how you are spending your money?

You may have multiple sources of income, for example, a Centrelink benefit, casual employment, parental income, scholarship income or interest. Examine how much you are receiving from each source and over what sort of time frame are you being paid, i.e. fortnightly weekly, monthly, annually.

Determine where your money is going. It may be easy to identify all your **regular expenses**, for example: rent, grocery money or your transport ticket. But the smaller expenses are more difficult to keep track of. Keep a **spending diary** for a week or two to work out what you spend money on outside of your regular expenses. Many of us think we know where our money is going but the reality can be very different. **Keeping track of your expenses will assist you in identifying areas that may require some financial pruning or managing!**

Preparing a budget

On page 4 and 5 you will find a budget template to complete. Remember, this is just one example of a budget. Completing this type of budget will give you a good overview of your financial situation and assist you in assessing what sort of financial shape you are in. You may need to gather some information to complete your budget, this will include: payslips, old bills, bank statements, scholarship information, supermarket receipts, bank statements etc anything that will provide you with a record of your income and expenditure.

Other Tips

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 ticket, monthly rent, etc. But it is essential not to forget the predictable, irregular or one-off annual costs, such as course costs, car registration and maintenance, insurance levies, medical and dental bills.

Plan for unexpected costs, 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.

- Check your budget on a monthly basis.
- Create an Excel spreadsheet to save time, and to avoid having to rework your figures.

Check out several types of budgets. Different styles suit different people. Online budgets are a helpful way to start.

www.fido.gov.au/fido/fido.nsf
www.understandingmoney.gov.au/

Cost of living?

If you have not lived out of home before or are unfamiliar with the costs of living in Melbourne, The table below will be able to assist you. The information found in this table is based on current student living costs in 2010. It does not include your rent, board or College fees and amounts may vary for each individual's situation.

Items	Amount
Weekly Cost (other than Rent)	
Food and Groceries Contribution	\$80-100 p/w
Bills (Electricity, Gas etc)	\$25-35 p/w
Telephone (not Mobile)	\$10-15 p/w
Public Transport fares	\$30 for local p/w \$34-\$54 international
Spending Money	\$40-80 p/w
Annual Cost	
General Course Costs	\$500-750 check with faculty
Establishment Costs	
Bond (usually 1 month's rent)	4.333 x weekly rent
Telephone / utilities connection	\$150-200
General furniture items	\$450-800 (not including whitegoods)

Surplus or Deficit? After completing your budget, one of the following situations will apply:

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 will be essential. Explore ways of reducing your expenses and strategies for increasing your income to ensure that you will financially survive the year.

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

Some important decisions will need to be made. Is it possible to significantly cut your costs? Can you increase your income? Can you reduce your study workload so that you can generate more income from work? Or will you need to take leave of absence from your course to get your finances back in order.

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.

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 need, and be honest with yourself about what you really need or would just 'like to have'.

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

A Spending Diary

Consider keeping track of your expenses for a period of two weeks. Write down everything you purchase and how much it cost, and at the end of the period, add up all your expenses. The results will give you a 'real life' indication of what is costing you money, and how much. You will then be able to make some decisions about any expenses which are a 'waste of money' and can be avoided.



YOUR BUDGET

Please complete this section carefully.

EXPENSES (estimated and known expenses for period: 1 January – 31 December)
 You are required to include your spouse's (or partner's) and dependent's expenditure (if applicable).

Weekly Expenses

Rent / Board / Mortgage Payment (circle)	\$
Bills (gas, electricity, telephone etc.)	\$
Food (lunches, groceries, etc)	\$
Transport (public transport fare, petrol, parking)	\$
Spending Money (clothing, entertainment etc)	\$
Commitments to dependents	\$
Other Weekly expenses:	\$

It is not necessary to include 'cents' – all amounts should be rounded to the nearest dollar

Total Weekly Expenses \$ X 52 = \$ (A)

Annual Costs

Accommodation Related:	
Residential College Fees (if applicable)	\$
Establishment Costs - Bond	\$
Furniture	\$
Connections	\$
Other Accommodation Costs	\$

It is not necessary to provide establishment costs if you are in the same residence as the previous year

Total Accommodation Costs \$ (B)

Course Related:

Amenities & Services Fee	\$
Course Fees or HECS up front	\$
Course Materials	\$

Total Course Related Costs \$ (C)

Other Costs:

Transport Concession Card	\$
Car Costs – Registration/Insurance etc	\$

Outstanding Debt

Credit Card	\$
Short Term University Loan	\$
Other Due Loans	\$
Total Due Debts	\$
Any other costs:	\$

Only provide debt amounts which must be repaid in current year

Total Other Costs \$ (D)

Total Expenses for the year (A+B+C+D above) \$ (1)

INCOME (estimated and known income for period: 1 January – 31 December)
 You are required to include your spouse's or partner's income (if applicable)

Employment Income (Average weekly earnings)

January – February	\$	X 9 weeks =	\$
March – November	\$	X 39 weeks =	\$
December	\$	X 4 weeks =	\$

Total Employment Income \$ (E)

Other Weekly Income (Average weekly amount)

Centrelink payments	\$
Scholarship Payments	\$
Partner's Income	\$
Parental Allowance	\$
Other (please specify.....)	\$

Type of Allowance?

Total Other Weekly Income \$ X 52 \$ (F)

Lump Sum (Annual Income)

Savings as at 1 January	\$
Parental Assistance	\$
Other (please specify.....)	\$

Total Lump Sum Income \$ (G)

Total Income for the year (E+F+G above) \$ (2)

FINANCIAL NEED SUMMARY

Total Expenses \$ (1)

Total Income \$ (2)

DEFICIT / SURPLUS (2) – (1) = \$

STUDENT'S GENERAL FINANCIAL POSITION

Assets

Property (present value)	\$
Vehicle/s	\$
Shares	\$
Fixed Term Deposits	\$
Other	\$

Liabilities

Outstanding Mortgage	\$
Loans	\$
Total Credit Card Debts	\$
Other Debts	\$

Some Options

Cut Costs Take a closer look at your budget and think about ways in which you could reduce your expenses. Have a look at the Student Financial Aid “Cutting Costs” brochure for tips.

Extra income from part-time work Check the on-line employment board through careers and employment www.services.unimelb.edu.au/careers/

Loans Always get some independent advice before taking out a loan. Loans are available from: Student Financial Aid, The Melbourne University Credit Co-operative and private banks. Be aware that lenders may be charging significant interest on top of the loan. Visit the Australian Securities and Investment commission – Financial Tips and Safety Checks www.fido.asic.gov.au/fido/fido.nsf

Visit Student Financial Aid for advice - Arrange an appointment with a Student Financial Aid Adviser to discuss your budget.

Government Assistance (local students only)

If you are not currently receiving Government assistance, contact Centrelink, or visit their website, to check whether you are eligible for financial help. A Centrelink staff member is available, Ground Floor, Baldwin Spencer Building.

Even if you are not eligible for a Centrelink payment you may be eligible to receive a **Low Income Health Care Card** which can be used to receive various concessions, including: transport concession, free ambulance cover and discount car registration www.centrelink.gov.au/ See Student Financial Aid Health Care Cards for detailed information.

Things to Avoid

Credit cards

Credit Cards are convenient but they are not the solution to money flow problems. The only thing a credit card buys is time to pay a bill. However, many people only pay the minimum amount required for each statement, allowing their debts to drag over months or years resulting in enormous interest charges. The interest rate you pay on credit cards is higher than the rate you pay on most other loans. Through misuse of your credit card your credit rating can be affected for years to come.

Cash Advances

A cash advance from a credit card seems an easy solution if your rent is due. However, there is no interest free period for cash advances (even if your card has interest-free days for normal purchases). Interest on any overdue amounts is charged immediately when you take a cash advance, until the whole bill is paid. For example, if you make a purchase of \$500, and take out a \$20 cash advance, you will lose your interest free days and immediately be paying interest on \$520- usually at a much higher rate than your normal interest rate. Interest free periods are of dubious benefit to people who regularly rely on their credit card for money.

Bank Charges

Remember that most banks will charge a fee (e.g. \$2.00) 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. Shop around for student banking deals often major banks will waiver monthly bank fees and other associated banking fees.

Bad Habits

When we are busy, studying, working, juggling family and social commitments we can fall into bad money habits by spending too much on take-out food, alcohol, cigarettes and entertainment. We may be borrowing money off friends and family to assist with our living expenses. Have a careful look at your lifestyle and examine your lifestyle choices. If you feel that there could be room for improvement consciously try to change these habits. Sometimes working too much can also cost money, having time

to shop at the market and cook your own food is a great money saver and a healthier option. Try to limit social activities if this is costing you too much money or suggest low cost options instead of going out.

Prioritising

You may have to consider prioritising to help you at least 'balance the budget'. There may be things that could be cut from your budget or an **alternative considered**. Think about your expenses in terms of essentials and non essentials.

Low Cost Time Zones

Maybe for one week a month, or 2 - 3 days each week establish a **"low cost time"** This could be a quiet time studying or hanging out with friends. Eat-in, borrow videos from the libraries on campus, see how cheaply you can make a good meal, limit your travel (walk where possible), find some free entertainment (galleries), make your own lunch.

It is possible to have an enjoyable time without spending much, and it will relieve budget stress. Melbourne offers many festivals and free events always check out the Age Friday Entertainment Guide and That's Melbourne website for information.



RIDE TO WORK.....

BORROW DVDs FROM THE LIBRARY.....

SHARE COOKING WITH HOUSEMATES.....

Self Assessment

- Are you constantly borrowing money from friends or relatives?
- Do you usually pay your bills late?
- Are you using 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.

HELPFUL WEB LINKS

Centrelink

A Government agency delivering a range of Commonwealth services to the Australian community including income support for students, job seekers and people with disabilities.

www.centrelink.gov.au/

Fido

Australian Securities and Investment Commission-financial tips and safety checks

www.moneysmart.gov.au/

Social Security Rights Victoria

Social Security Rights Victoria provides free and independent information, advice and representation about Social Security law and its administration.

www.welfarerights.org.au/

Australian Government –understanding money

Australian government site-general financial literacy

www.understandingmoney.gov.au/

Bond Loan Scheme

Assistance with paying bond for renters

<http://housing.vic.gov.au/private-renters-assistance>

Community Financial Counsellors

The Financial and Consumer Rights Council Inc (FCRC) is the peak body for Financial Counsellors, Consumer Rights Workers, and other advocates of vulnerable consumers in Victoria.

www.fcrc.org.au/

Australian Financial Counselling and Credit Reform Association

(AFCCRA) is the peak body for financial counsellors in Australia.

<http://www.afccra.org>

Consumer Affairs Victoria

Advice on credit and debt issues and referral to a financial counsellor

Consumer Affairs Victoria (CAV) protects and promotes the interests of consumers.

www.consumer.vic.gov.au

Consumer Action Law Centre

Consumer advocacy, litigation & policy organisation based in Melbourne

www.consumeraction.org.au

Money Help

Free, confidential and independent financial information for Victorians experiencing job loss or reduced working hours.

www.moneyhelp.org.au

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**

www.services.unimelb.edu.au/finaid/