

Creating a money plan (continued)

Thandiswe saves R700 (10% of her income) per month towards retirement. Since her employer does not contribute or deduct retirement contributions on her behalf, she makes sure that she pays this every month with a debit order that goes off her bank account directly after her salary is paid into the account.

Mandla and Thandiswe also save R1 200 every month for an emergency fund. Their emergency savings goal is R42 300, which will cover 3 months' expenses in case of unplanned events or a crisis. They have already saved a total of R28 000.

A year ago they also started saving R2 000 per month for a deposit of R200 000 to buy a house. They want to apply for a mortgage loan in 3 years' time.

They also pay R500 per month extra into Mandla's personal loan whenever they can. By paying back the loan quicker, they will save on the total cost of credit. R500 extra each month will also help Mandla to repay the loan in 12 months instead of the remaining 17 months.

In about a year Mandla and Thandiswe will have repaid the personal loan and reached their emergency savings goal. Then they will be able to add the extra money (that they currently pay into the emergency savings fund and on the personal loan) to their monthly savings for a home loan deposit. This will add R3 200 to their deposit per month and will help them to reach their goal within 3 years.

They know this will be difficult, but are determined, and plan to increase their monthly savings annually when they get their salary increases.

Mandla and Thandiswe make sure that they track their monthly expenses to allow for some family fun. They have R1 000 available for non-essential expenses, such as entertainment, after their necessary expenses and savings have been taken care of.

Track your actual spend in the following month to see if you were able to stick to your budget and to help you make changes where needed.

This is what Mandla and Thandiswe's money goals look like:

Short 0 – 24 months	Medium 3 – 5 years	Long 10 years +
<p>Goal Achieve emergency savings goal of R42 300 in a year.</p> <p>How? Continue to save R2 000 every month.</p> <p>Goal Pay off personal loan in next 12 months.</p> <p>How? Pay R500 extra per month.</p>	<p>Goal Reach house deposit goal of R200 000 in 3 years.</p> <p>Get a home loan to buy first home in 3 years.</p> <p>How? Increase monthly savings by R3 200 to R5 200 when personal loan and emergency savings goals are reached.</p> <p>Increase monthly savings when salaries increase.</p> <p>Maintain a good credit record by meeting commitments on time and using credit wisely.</p>	<p>Goal Pay off home loan. Grow retirement savings . Plan for children's college or university education.</p> <p>How? Review budget regularly to plan for the long-term. Increase monthly debt repayments or savings when salaries increase.</p>

Look at Mandla and Thandiswe's money plan to help you work out your own money goals and money plan. The first step is to understand your current position by categorising your income and expenses in the columns of the money plan.

Once you understand your current position, you can complete the budget column. Cut back on unnecessary expenses to make more cash available for your financial goals. It is usually easier to cut back on variable expenses than fixed expenses.

Mandla and Thandiswe's money plan

Basic needs

What are our basic needs end goals?

To look after our family and to meet their essential needs.
To ensure our children receive a good education.

Salary R14 000
Other income: R7 000
Total income: R21 000

Basic needs money goals	Expenses	Fixed/Variable	Actual	Budget	Track	
Where can we cut down on expenses?	Groceries	Variable	R3 000	R	R	
	Clothing	Variable	R1 000	R	R	
	Transport – taxi/bus/train	Variable	R1 400	R	R	
	Transport – fuel		R	R	R	
	Rent	Fixed	R3 500	R	R	
	Medical expenses	Variable	R	R	R	
	School fees	Fixed	R2 000	R	R	
	Bank fees	Variable	R100	R	R	
	Levies		R	R	R	
	Rates and taxes		R	R	R	
	Crèche/Aftercare	Fixed	R1 000	R	R	
	Electricity and water	Variable	R300	R	R	
	Other		R	R	R	
		Total		R12 300	R	R
	% income we aim to spend on basic needs	%	% spent	58,6%	%	%

Lifestyle money goals	Expenses	Fixed/ Variable	Actual	Budget	Track	
Where can we cut down on expenses? Paying off personal loan early to save more money for a deposit on a house.	Loan repayment	Fixed	R1 500	R	R	
	Repay credit card	Variable	R200	R	R	
	Holidays		R	R	R	
	Entertainment	Variable	R1 000	R	R	
	Cellphone	Variable	R600	R	R	
	TV licence/DStv		R	R	R	
	Family donations		R	R	R	
	Furniture account		R	R	R	
	Clothing account		R	R	R	
	Other		R	R	R	
	Other		R	R	R	
		Total		R3 300	R	R
	% income we aim to spend on basic needs	%	% spent	15,7%	%	%

Lifestyle

What are our lifestyle end goals?

To have fun as a family and contribute to the community.

Total expenses: R20 000
Income – Expenses =
Surplus/Loss R1 000

Remember

- If you earn a variable income, plan for this by taking the average net income into your bank account over the last 6 months. Ignore annual bonus months
- **Yearly expenses:** Make a list and spread the cost over 12 months. These expenses may include your TV licence and car licence and service
- **Replacement expenses and repair work:** Plan for these by setting money aside each month for things that may need to be replaced or repaired someday, such as your fridge

Wealth creation

What are our wealth creation end goals?

We want to create a loving home for our family and one day retire financially independent so that we can experience new things.

Track	Budget	Actual	Fixed/Variable	Expenses	Wealth creation, money goals
R	R	R		Bond	Where can we increase our wealth? Buy a home for our family.
R	R	R		Pension fund	
R	R	R1 200	Fixed	Emergency savings	
R	R	R700	Fixed	Retirement	
R	R	R		Education	
R	R	R		Investments	
R	R	R2 000	Variable	House deposit	
R	R	R500	Variable	Loan payment	
R	R	R		Financial goal	
R	R	R		Financial goal	
R	R	R		Stokvel	
R	R	R		Other	
R	R	R		Other	
R	R	R		Other	
R	R	R4 400	Total		
%	%	21%	% spent		% income we aim to spend on wealth creation

Track	Budget	Actual	Fixed/Variable	Expenses	Protection money goals	
R	R	R		Medical aid	Where can we increase our protection?	
R	R	R400	Fixed	Life cover		
R	R	R200	Fixed	Funeral cover		
R	R	R400	Fixed	Car insurance		
R	R	R		House insurance		
R	R	R		Household insurance		
R	R	R		Other		
R	R	R		Other		
R	R	R		Other		
R	R	R		Other		
		R1 000	Total			%
%	%	4,8%	% spent			% income we aim to spend on wealth creation

Protection

What are our financial protection end goals?

To know that our family is protected when unexpected events occur or tragedies happen.

- **Saving:** Speak to a Financial Sector Conduct Authority (FSCA) registered financial adviser to help you determine how much you should save monthly to meet your retirement goals. Also put money aside for emergencies and your other goals
- **Surplus:** It means you have money left to increase your savings if you are not yet saving enough. You can also spend it on wants, but before spending on wants, think about your money goals first
- **Shortfall:** It means you spend more than you earn. Have a look at your expenses, especially your variable expenses. Check if there are unnecessary expenses and see where you can cut back on wants