

# Tip sheet

## Balancing a budget

Balancing a budget can significantly reduce stress by providing financial clarity and control. Here are some practical steps to help you manage your finances effectively.

### Balancing a budget

#### Identify your values

Before you start, it's important to identify your core values, as they will influence how you live your life, your financial values and spending. These values help you to prioritise and put into perspective the goals you'd like to achieve. In the box are some examples of values and some financial goals that may align with them:

<b>Values</b> Helping others, uplifting communities and social justice.	<b>Goal</b> Set aside a regular portion of income to donate to worthy causes.
<b>Values</b> Legacy, security, upward mobility for family.	<b>Goal</b> Create an education fund for family members.
<b>Values</b> Personal freedom and security later in life.	<b>Goal</b> Nurture a portfolio of investments and savings to support an easy retirement.
<b>Values</b> Health and wellbeing, not being 'caught off guard' when circumstances change suddenly.	<b>Goal</b> Contribute regularly to a 'rainy day' fund for unexpected medical costs that extend past what insurance or the public system may cover.

Most of us would like to achieve all these values and more, but have finite resources to do so. Try prioritising your values by writing them down and organising them by what matters most to you. Then, when it's time to outline specific goals, you will have a clearer idea of what needs to come first.



#### Set realistic goals

Once you have identified your values, it's time to establish clear, attainable financial goals that match. These may be aligned with the above examples, or something more unique to you. Whether you're saving for an emergency fund, paying off debt or planning a holiday, having specific targets can motivate you to stick to your budget and reduce financial anxiety. These targets can shift over time as our circumstances change and our values evolve. When you're outlining your values and goals, consider the future and how your values and goals may move together in response to different events and influences. Think about your goals for both the short and long-term. Include both in your plan.

#### Track your income and expenses

Now that you understand what you want to achieve and why, start your budget by listing all sources of income and categorising your expenses. Use budgeting tools or apps to monitor your spending habits. This helps identify areas where you can cut costs and allocate funds more efficiently.

### **Prioritise essential expenses**

Focus on covering essential expenses first, such as rent or mortgage, utilities, groceries and transportation. By ensuring these needs are met, you can alleviate the stress of potential financial shortfalls.

### **Pay off debt**

Unpaid debt can easily create a snowball effect, so it's important to keep up with regular repayments. Whenever you can, try to make extra repayments on top of that; this will help you get rid of that debt as fast as possible and get back to making the most of your income.

### **Cut unnecessary spending**

Review your discretionary spending and identify areas where you can cut back. Limit dining out, subscription services and impulse purchases. Redirect these savings towards an emergency fund or paying off debt, then you can make progress on your financial goals.

### **Create a buffer**

Build a financial buffer by saving a portion of your income each month and this will be your emergency fund. Having a safety net can provide peace of mind and reduce stress during unexpected financial challenges.

### **Regularly review and adjust**

Consistently review your budget and adjust as needed. Life circumstances change, and your budget should reflect these shifts. Regular reviews can help you stay on track and maintain financial stability.

### **Ask an expert**

Speaking to a financial advisor is a great way to get an objective look at your current budget and where things could change. Reach out to Vitae at any time to ask about our financial wellbeing services.

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### **Contact**

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