

The Key to Successful Financial Planning

By Trevor Blanchard

Before you undertake any major borrowing you will need to produce a budget to satisfy a lender of your ability to meet your financial commitments.

Most people prefer to shy away from this exercise as "too hard" and leave it to the lender to satisfy themselves of your borrowing ability based simply on your income. However, a prudent borrower would prefer to establish to their own satisfaction that they could afford the proposed level of borrowing.

To do this, there is one simple exercise

you should undertake, and that is quite simply to find out how much you are spending. Sure, you know what your power and water is costing, your rates or rent, insurances and other monthly payments.

But what about those small unmeasured items? For instance, it's instructive to consider the question: How much did you spend today?

Keep a record of all the small items such as newspaper \$1.50; lunch \$7-10; car parking \$10+. These together with coffee, \$3-4 (x3?), could easily amount to \$30+, which over the course of a week mounts up to \$150! Add to that the after-work gathering on Thursday or Friday night and you could easily have spent



something in excess of \$200 on nothing "measurable".

The first essential in creating a budget is to know where your money is going. When you ascertain and quantify this you may be dismayed at the substantial sum of money which has literally "slipped through the fingers".

Do you remember your grandmother or maybe your mother telling you as a youngster "Take care of the pence and the pounds will take care of themselves"? Although the pounds and pence have long since been replaced by dollars and cents, and even our 5 cent pieces are now obsolete, that advice is as pertinent today as it was in bygone days.

Trevor Blanchard is a retired bank manager, with 50 years' experience in the banking and finance industry.