



THE UNIVERSITY
of ADELAIDE



Veterinary Introduction to Business and Enterprise

Personal Budget Basics

CRICOS PROVIDER 00123M

adelaide.edu.au

Funded by the Australian Government
Office for Learning and Teaching



Veterinary Introduction to Business and Enterprise

Personal Budget Basics

Contents

Introduction.....	2
Five steps to create a personal budget	3
Step 1. Determine your current financial position – bank account & loans	3
Step 2. Determine your anticipated income over the next twelve months.....	3
Step 3. Determine your anticipated expenditure over the next twelve months.....	4
Step 4. Do calculations to determine if you will have enough to cover expenditure in each month.....	6
Step 5. Monitor your progress	9
Additional personal budget considerations	9
References & Acknowledgements.....	9
Authors.....	9



With the exception of the Commonwealth Coat of Arms, and where otherwise noted, all material presented in this document is provided under Creative Commons Attribution-ShareAlike 4.0 Unported License <http://creativecommons.org/licenses/by-sa/4.0/>.

Introduction

People who work in caring roles, such as veterinarians, nurses and doctors, are often so focused on helping others that their own needs can be neglected. One of the most common needs to be neglected is taking care of one's personal finances. It's understandable too... people in caring roles have other very pressing priorities and taking care of your own finances can easily be put aside as a task for another day. However, in order to care for others, people employed in caring roles must first care for themselves and this includes all aspects of personal care: emotional, physical and financial. The benefits of personal budgeting are clear. Creating and using a personal budget allows you to achieve much more than simply living from one pay packet to the next. A personal cash flow budget will enable you to establish your financial priorities and ensure you have the capacity to cover essential expenses and the flexibility to decide how you would like to spend or save your money. Additionally, a budget will enable you to plan to have a little extra for contingency. This Learning Guide outlines the basic steps to create a personal cash flow budget.

Five steps to create a personal budget

A personal cash flow budget can be created by following the steps below:

Step 1. Determine your current financial position – bank account & loans

Check how much money you have in your bank accounts and other investments and then determine how much money you owe (e.g. on credit cards or loans). What is your current financial position? For an example please see Table 1 below:

Table 1: Example balances for Jane Student’s cash on hand and owings

	Balance at 30 th June 2014
iSaver account	\$2,740
My savings account (with debit card)	\$404
Total bank account	\$3,144
Car loan – principal left to repay	\$3,000
Student loan (low interest)	\$2,000
Total owings (liabilities)	\$5,000

Step 2. Determine your anticipated income over the next twelve months

For people working for wages or on a salary, it is as easy as checking pay slips to determine net income (after tax and super). However, it’s a little more complicated for contractors and people who are self-employed,. In such cases, you can calculate how much overall tax you will need to pay via tax calculators available on the Australian Taxation Office (ATO) website, and/or use your most recent tax return, quarterly Business Activity Statements (BAS) and advice from your accountant to calculate your outgoings for tax payments and also determine when payments to the ATO are required.

When determining your current income remember to include other sources of income such as interest on savings or government payments. When you know how much you make per annum, and when you make it, allocate it to your budget in the months that it will actually come into your bank account.

See Table 2 below for an example of an income pattern for a student:

Table 2: Jane Student’s budgeted income pattern for 2014 – 2015

Item	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Total year.	Notes
Income														
Wages	1600	500	500	500	1600	2000	1000	1600	500	500	500	500	11300	1,2
Other income		100	100	100	100				100	100	100	100	800	3
Total income p.a.	1600	600	600	600	1700	2000	2000	1600	600	600	600	600	12100	

- 1 Wages variable due to more work over Semester break
- 2 Two weeks Phase 1 clinical EMS at Bug A Lugs Vet Services
- 3 Allowance from parents

Step 3. Determine your anticipated expenditure over the next twelve months

Write down all of your current expenses and be sure to make an honest and realistic appraisal of your spending. You can track your expenditure for a month or more for an accurate assessment of how much you spend. It is useful to categorise your spending, such as fixed expenses, variable expenses and discretionary expenses, as listed below.

Fixed expenses include:

- Mortgage payment/rent
- Vehicle loan or lease
- Other loans
- Insurance
- Education
- Savings plan
- Any other expenses with fixed monthly/weekly payments

Variable expenses include:

- Groceries
- Utilities
- Phone
- Maintenance
- Clothing
- Transport
- Medical

Discretionary expenses include any expense not directly essential to day to day living, such as:

- Entertainment
- Clothing
- Furniture
- Holidays
- Sport
- 'Pocket money'

For an example of a university student's expenditures see Table 3:

Table 3: Jane Student's budgeted outgoings for the next year

Expenses	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Total year.	Notes
Dining out and takeaway food	100	100	100	20	100	150	150	100	100	100	20	20	1060	
Entertainment	50					50	50	50					200	
Car maintenance							500						500	
Car registration	158			158			158			158			632	
Petrol	50	100	100	100	100	50	50	50	100	100	100	100	1000	
Car insurance	18	18	18	18	18	18	18	18	18	18	18	18	216	
Clothing	20	20	20	20	20	20	20	20	20	20	20	20	240	
Books							500					500	1000	
Stationery and printing		15	15	15	15				15	15	15	15	120	
Mobile phone plan	40	40	40	40	40	40	40	40	40	40	40	40	480	
Travel - Holiday							2500						2500	
Medical expenses	80			80			80			80			320	
Pet care	20	20	20	20	20	300	20	20	20	20	20	20	520	4
Club fees/Memberships								80					80	
Charitable donations	10	10	10	10	10	10	10	10	10	10	10	10	120	5
Spending money	150	100	100	200	50	400	200	200	100	100	100	100	1800	6
Total expenses p.a.	696	423	423	681	373	1038	4296	588	423	661	343	843	10788	

4. Annual health check and vaccination in December
5. Regular donation to Animal Welfare League
6. Vet students ball

Step 4. Do calculations to determine if you will have enough to cover expenditure in each month

This step involves subtracting your expenses from your income. It is your choice whether you work this out based on weekly, fortnightly or monthly income/expenses. Monthly is the common choice. See Table 4 for an example of the combination of incomings and outgoings, and the effect on the overall bank balance.

Table 4: Example of a summarised personal cash flow budget with times of negative cash flow but overall positive bank balance

Item	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Total year.
Total income p.a.	1600	600	600	600	1700	2000	2000	1600	600	600	600	600	12100
Total expenses p.a.	696	423	423	681	373	1038	4296	588	423	661	343	843	10788
Net Cashflow	904	177	177	19	1127	1062	-3296	1012	177	-61	257	-243	1312
Opening Bank Balance	3144	4048	4225	4402	4421	5548	6610	3314	4326	4503	4442	4699	
Closing Bank Balance	4048	4225	4402	4421	5548	6610	3314	4326	4503	4442	4699	4456	

So, what is the outcome? Do you spend more than you earn? Will you have times of financial stress you can anticipate in the coming year? See Table 5 for an example of a cash flow budget for a student under financial stress. Or do you manage to cover all of your expenses and save some money too? If you are spending a lot more than you earn then you need to drastically rethink how you manage your expenses, and if your income and expenses are more closely aligned you may decide to make changes in your spending patterns in order to ensure you accumulate savings.

To restructure your expenses set an amount of money that is reasonable for you to spend each week after all your fixed and variable expenses have all been accounted for. This requires that you realistically examine the expenses that you can and cannot alter. For example, your mortgage or rent is a fixed expense, so in order to reduce expenses you will need to examine discretionary expenses i.e. those expenses you have control over. Be realistic about what you are prepared to change. Do not simply decide to reduce your food bill by \$30 a week without having a plan regarding what you are prepared to change. For example, you might decide to purchase cheaper brands at the grocery store, or you may decide to take your lunch to work instead of buying it. Regardless, your expense targets should be analysed using the SMART strategy:

- Specific – how much are you spending on a particular expense?
- Measurable – how much do you realistically need to spend?
- Attainable – is the expense affordable for you?
- Realistic – can you afford this expense without forgoing essential items?
- Timely – is it the right time to spend this money? Should other expenses be paid first?

See Table 6 for an example of an adjusted personal cash flow budget.

Table 5: John Student's situation of financial stress exposed by his cash flow budget

Cash Flow Budget 2013 to 2014														
Item	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Total p.a.	Notes
Income														
Austudy	1012	1012	1012	1012	1012	1012	1012	1012	1012	1012	1012	1012	12144	
Total income p.a.	1012	1012	1012	1012	1012	1012	1012	1012	1012	1012	1012	1012	12144	
Expenses														
Eating out	150	50	50	50	50	50	150	50	50	50	50	50	800	
Alcohol	150	50	50	50	50	50	150	50	50	50	50	50	800	
Rent	300	300	300	300	300	300	300	300	300	300	300	300	3600	1
Electricity, Gas and Water bills	150	150	100	100	100	100	100	100	100	150	150	150	1450	1
Groceries		200	200	200	200	200		200	200	200	200	200	2000	
Public transport		40	40	40	40	40		40	40	40	40	40	400	
Clothing and shoes			60			60			60			60	240	
Books							150					150	300	2
Stationery and printing		20	20	20	20				20	20	20	20	160	
Mobile phone plan	60	60	60	60	60	60	60	60	60	60	60	60	720	
Travel - Holiday	500						500						1000	
Pet care	40	40	40	400	40	40	40	40	40	40	40	40	840	
Day to day cash	100	100	100	100	100	400	100	100	100	100	100	100	1500	
Total expenses p.a.	1450	1010	1020	1320	960	1300	1550	940	1020	1010	1010	1220	13810	
Net Cashflow	-438	2	-8	-308	52	-288	-538	72	-8	2	2	-208	-1666	
Opening Bank Balance = 562														
Closing Bank Balance	124	126	118	-190	-138	-426	-964	-892	-900	-898	-896	-1104		

Notes:

- 1 My share of house rent and bills
- 2 Purchase of second hand books for Uni
- 3 Dog food, veterinary fees and annual health check

Table 6: A personal cash flow budget brought back into positive

Cash Flow Budget 2013 to 2014														
Item	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Total pa	Notes
Income														
Austudy	1012	1012	1012	1012	1012	1012	1012	1012	1012	1012	1012	1012	12144	
Total income p.a.	1012	1012	1012	1012	1012	1012	1012	1012	1012	1012	1012	1012	12144	
Expenses														
Eating out	30	30	30	30	30	30	150	30	30	30	30	30	480	
Alcohol	50	50	50	50	50	50	150	50	50	50	50	50	700	
Rent	300	300	300	300	300	300	300	300	300	300	300	300	3600	1
Electricity, Gas and Water bills	150	150	100	100	100	100	100	100	100	150	150	150	1450	1
Groceries	200	200	200	200	200	200		200	200	200	200	200	2200	
Public transport		40	40	40	40	40		40	40	40	40	40	400	
Clothing and shoes			60			60			60			60	240	
Books								150				150	300	2
Stationery and printing		20	20	20	20				20	20	20	20	160	
Mobile phone plan	60	60	60	60	60	60	60	60	30	30	30	30	600	3
Travel - Holiday							500						500	4
Pet care	40	40	40	400	40	40	40	40	40	40	40	40	840	
Day to day cash	50	50	50	50	50	50	50	50	50	50	50	50	600	5
Total expenses p.a.	880	940	950	1250	890	930	1350	1020	920	910	910	1120	12070	
Net Cashflow	132	72	62	-238	122	82	-338	-8	92	102	102	-108	74	6
Opening Bank Balance = 562														
Closing Bank Balance	694	766	828	590	712	794	456	448	540	642	744	636		

- Notes
- 1 My share of house rent and bills
 - 2 Purchase of second hand books for Uni
 - 3 Change to cheaper mobile phone plan when contract due for renewal
 - 4 Reduce annual holidays to one short holiday
 - 5 Reduce day to day spending by buying a travel mug and taking my own coffee in the morning instead of buying it
 - 6 There are still months where outgoings are greater than income, but by sticking to the budget the bank balance remains in the black

Step 5. Monitor your progress

Review your personal cash flow budget once a month to ensure that you are on track with your income and expenses. Determine if you are over or under budget. Do you need to alter your budget to be more realistic? Can you put more money into savings than you originally planned? Revisit the SMART list to check that your budget is working for you. Regular review of your budget will ensure that the personal budget you have prepared remains realistic and relevant for your needs.

Additional personal budget considerations

The numbers you plug into your personal cash flow budget calculations are flexible. You can change how much you decide to spend on entertainment, clothing, even rent, but some expenses are easier to change than others. Some people apply the principle of don't spend it unless you have it. This is a very useful strategy to avoid high interest payments and to ensure you remain within your budget.

Here are some tips for ensuring you meet your budget goals:

- Factor in emergency expenses
- Remember to make seasonal adjustments (e.g. for heating in winter)
- Remember to make adjustments for when you are to go on extra mural studies for your university course or other activity or holiday
- Revise your budget when your financial circumstances change
- Be aware of hidden expenses (such as bank charges or loan fees)
- Keep your personal budget goal in mind to keep you motivated to achieve your goal

References & Acknowledgements

Carlton, S., Mladenovic-Mcalpine, R., Palm, C., Kimmel, P. D., Keiso, D. E. & Weygandt, J. J. 2012. Chapter 17 Budgeting. *Accounting Building Business Skills 4th Edition*. Fourth ed. Australia Wiley.

Lindsay, N., Director Entrepreneurship, Commercialisation and Innovation Centre, University of Adelaide, South Australia.

Authors

Dr Adele Feakes, Lecturer, School of Animal and Veterinary Sciences, Roseworthy campus, The University of Adelaide

Dr Dana Thomsen, Researcher, School of Animal and Veterinary Sciences, Roseworthy campus, The University of Adelaide