



Planning for a Solid Financial Foundation

June 12th 2009

Last week, we looked at the requirements for a student loan since at this time of year many students are considering continuing on to university or college. It's no secret that tertiary education is an expensive undertaking and it has to be planned for in plenty of time as we discussed in our last column. Educational goals are just one of the many life goals that we all hope to realize in our lifetime and financial planning is essential to achieving these goals. This week we will focus on this concept of *financial planning* with specific reference to after you have realized the dream of getting your first degree or any other major educational qualification. What comes next is the start of real life, of having to manage your finances responsibly as you enter the workforce.

The first thing you should do financially is create a budget for yourself. A budget allows you to manage your money effectively. It allows you to ascertain your spending patterns and see where savings can be achieved. You can then place excess funds into either savings or investments, or you may decide to work on eliminating any debt. In preparation for your budget, gather all financial statements, utility bills, salary slips and keep records of all expenditure. Having gathered all this information, you are now ready to do your budget;

- **LIST** all your expenses e.g. student loans, utility payments, house rent etc. expenses should be divided into **fixed expenses** (rent, insurance payments) and **variable expenses (grocery bills, utilities etc.)**.
- **LIST** all sources of income. It is important that when recording your income, you use the net income and not the gross.
- **SUBTRACT** your total expenses from your total income.

If your total income exceeds your total expenses, you are well on your way to sound financial management. This means that you spend less than you make. However, if you spend more than your total income, then you have some work to do. Review your expenditure to pinpoint where you spend too much and where you can make cutbacks. Examine your variable expenses and see which ones you can reduce substantially, for example, your telephone bill.

After you have budgeted and organized your finances, you are now ready to start a savings plan. It is very important that you set realistic savings goals for yourself. The savings goals you set for yourself must be within your means. To assist you with your savings goals, we suggest that you go to your bank and set up a standing order so that the funds are taken from your account automatically every month.

If you have any questions on savings or preparing to invest call the Customer Service or Investment Department of Bank of Saint Lucia at 456-6000 or visit us at www.ecfh.com.