

MAS Financial Inclusion Project - Unit 7

Core Information for Learners

In this Unit, we'll look at the benefits of tracking your finances over time - and if that seems like a lot to take in after exploring budget sheets in Unit 1, we'll also identify some tools that can help lighten the load!

Tracking: An Introduction

Tracking finances might sound quite technical, but it's really just that - **keeping track of the money you have going out**. Most people do some level of this in their head anyway - think about seeing an ad on TV for something you'd like and thinking "I can't afford it", or waiting for payday to get yourself or your family a treat. Even walking around the supermarket and adding up what you're spending is an exercise in tracking your finances!

You've already looked at how to make a budget, but because this asks you to focus on your income and expenditure over a month or so, it can be easy to focus on the big-ticket items - wages coming in, rent and bills going out - and neglect the little expenses that can really mount up. A chocolate bar most days, a couple of regular magazines, or a weekly takeaway can easily mount up over time and really upend your carefully worked out budget. **Tracking means recording each and every one of these to actively make sure your budget is really accurate.**

It can be much more effective, though, to write this tracking down and set it up so you can get the most use out of it. With a little bit of effort, there are a lot of benefits.

The benefits of tracking

Two main benefits of tracking your finances are:

- **Peace of Mind:** Being sure of what you can afford can help you feel more secure and stable. Even if your tracking shows a potential problem, it's often less stressful to know exactly what the problem is than to waste energy wondering what it might be.
- **Looking to the Future:** Tracking can help you plan ahead and work towards your goals. We'll look at long-term tracking in the next Unit.

There are a few more benefits, as well:

- **Better Budgeting:** Sometimes, there are places we can save money without sacrificing anything. A budget tracker will find any spending that you might just have put out of your mind, like old memberships or subscriptions. It can also help identify duplicate spending, which can be very useful when moving in with a partner, for example.
- **Spotting mistakes:** It's always possible that a mistake gets made when you're buying something, big or small - and the first place you're likely to spot it is either when it causes trouble, or before that when your budget tracker doesn't look quite right!
- **Dealing with issues:** If you do run into any financial issues, you're already armed with the tools to deal with them. Not only will it make it easier to get back on track if you can look back over what's caused the situation - and what's worked well in the past too - but if you

have to ask for help, you'll probably get a better response if you can show that you're responsible and well prepared.

How to track

To track your finances, the main thing is that you do it consistently.

The idea behind tracking is to get everything down as accurately as possible, so that you're completely clear on where your money is going. Forgetting about a couple of morning coffees then trying to guess how much they cost later on means there's no longer much of an advantage in tracking over just using a budget sheet. Of course, nobody's perfect all the time - but you can help your chances by making tracking as easy on yourself as possible.

This won't mean the same thing for everyone. Some people prefer to just keep quick notes with pen and paper, while others swear by using special financial tracking apps or websites. **It's usually most effective to keep track of things as they happen** - add your coffee while you're standing in the queue, for example. But this can vary too. It's possible to keep a good budget tracker by sitting down once or twice a day and thinking over what's happened, and it's also possible to enter rough estimates and then refine them - for example, if you're going to a party, you might want to put something in your tracker beforehand if you think you'll forget at the end of the night.

Because the strength of tracking is in consistency, it really is about finding what's going to work for you. You can push through making a budget sheet because you're aware of the benefits, but tracking needs to become a habit - one suggestion is to commit to doing it for a month and then see how your system's working for you.

Some Online Tools

If you are interested in using an online tool to make tracking simpler, here are a few to check out:

<https://www.mint.com/>

Good for: People who want help, as well as information - Mint lets you set budgets and see what you need to do to stick to them and achieve your goals. Available for phones and online.

<https://budgetbrain.moneysavingexpert.com/budgetplanner/edit/2103484>

Good for: Anyone who likes a more personal approach! More of a chatty style, and makes easy to include a coffee out or a Christmas spend alongside your monthly bills.

<https://www.moneydashboard.com/>

Good for: People who manage their money online - connect your bank account and get a completely accurate picture of where your money is going!

<https://itunes.apple.com/gb/app/spending-tracker/id548615579?mt=8>

Good for: Phone addicts to keep track of spending on the go

Finding a tool that really suits you makes it much more likely that you'll keep up a budget tracking habit, so if the first one - or the first few - that you try don't do it for you, keep looking until you

find something that does. **Budget tracking can be a new habit, so try and stick with it a little while once you find a tool you think you might like.**

And finally

Remember, a budget tracker is easy to get started with - you're a tracker as soon as you enter your first item. And after quite a short time, it'll become a habit as natural as brushing your teeth or making a cup of tea - something you just do without really thinking too hard about it. All you need to do is get over the hump between when you first start tracking and when it turns into a habit.

As Money Saving Expert says, *because having a budget tracker can be so helpful for saving, getting started with one could end up being the best-paid time you spend all year!*

A case study: Ami and Raj

Introduction

Ami and Raj have just had some happy news - they're expecting a baby! But mixed in with the excitement is a little bit of worry about how they're going to afford their new addition. They have a lot to think about - Ami would like to give up work for a while to spend time with the baby, but they're not sure how long she'd be able to take off. They'd like to be able to treat their child to toys and days out, but in the long-term, they're thinking about moving house. Raj's sister tells them they need to think beyond toys and days out, too - that they should be budgeting for everything from childproofing the house to a safer car, maybe glasses or braces, furnishing a nursery and an increase in their bills.

It all seems like too much to think about all at once, especially at what should be a joyous time. Raj and Ami have never had money to spare, but they've been careful to live within their means as far as they possibly can. **Now, though, they want to keep a more careful eye on their money, for their own peace of mind, and plan further ahead, for their child's sake.**

Ami and Raj's problem

Ami and Raj make a budget. According to the budget, Ami and Raj should have £195 left at the end of each month! But they've just reached the end of the month and discovered there's only £35 in their account. After talking it over, they realise they have a lot of little spends that they just haven't bothered including in the budget - Ami bought a birthday card and a small present for her mum, and Raj had to get a taxi from the station one night when it was raining heavily. They both confess to the odd piece of cake, and Ami even remembers that she bought some more expensive hair products than usual.

Ami's Budget Tracker

Ami and Raj decide that they need to address this problem and agree to each install a budget tracker app on their phone. They promise to log everything they buy, no matter how small, and at



the end of the month, agree that they'll add it up and add it to their budget under a new 'Small Spends' expenditure item.

After three days, this is what Ami's budget tracker looks like:

Tuesday:

Coffee - £1.70

Nail Varnish - £3.50

Bus to Katy's - £2.20

Total: £7.40

Wednesday:

Paperback - £2

Paracetamol - £4.20

Total: £6.20

Thursday:

Gift for James and Laila's party - £8

Bag of Crisps - 60p

Total: £8.60

Ami realises two things:

1. That she's spending much more than she thought on little treats and necessities, which is why they have less money left at the end of the month, and,
2. **Budget tracking really isn't so complicated - it really is as simple as writing every tiny thing down.**