

# The Essential Guide to Managing Your Money

Essential steps to saving, spending, borrowing and budgeting to achieve your money goals and live well!



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# Introduction

In this guide, we examine the practical steps anyone can take to manage their money, become effective savers and invest wisely so they can be better prepared for life events and protect financial well-being.

Effective budgeting is the cornerstone to good money management. Other factors also play an important role, including financial knowledge about key concepts. Those include:

- How compound interest works - including its role in long-term investments and also the cost of credit.
- Protecting a personal credit profile
- Using credit wisely
- How the tax system works, and much more!

While our capacity to earn income is still our greatest asset, as the financial system becomes increasingly complex, it is important to develop knowledge and skills to ensure we remain fully informed and ready to take advantage when opportunities present.

In the meantime, thank you for visiting MoneyWhizz

Good luck!

Frank Conway  
Founder

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## Setting a money plan

# Where will your money journey take you?

Personal budgeting and money management is a journey you take with your money. And like any journey, it is important you set out what the destination is.

With budgeting and money management, you will need to stop and write down what your MONEY GOAL is. Without this, building the motivation to actually do the work to become an effective money manager will be so much more difficult.

### Goal setting

List out your SHORT-TERM, MEDIUM-TERM and LONG-TERM goal. If you have more than one in any category, write it down.

### Examples of money goals

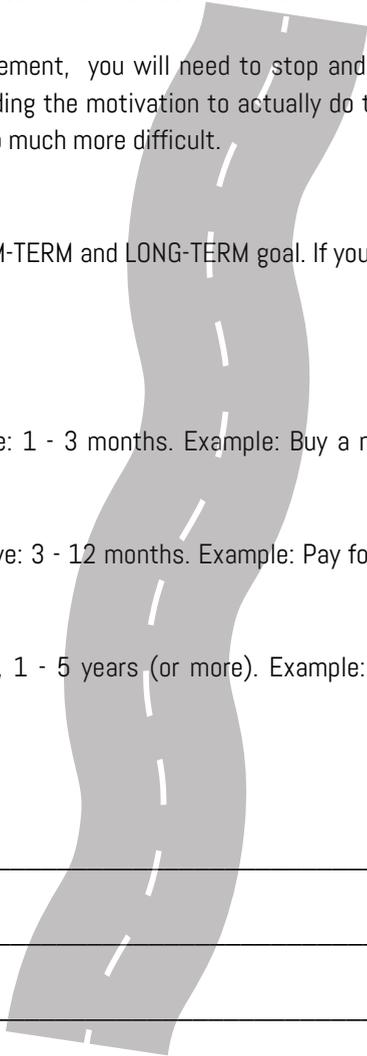
1. Short-term,. Duration to achieve: 1 - 3 months. Example: Buy a new laptop, cost €500 with savings.
2. Medium-term. Duration to achieve: 3 - 12 months. Example: Pay for a holiday, cost 2,000 with savings.
3. Long-term. Duration to achieve, 1 - 5 years (or more). Example: save for a first home deposit.

List your goals:

Short-term: \_\_\_\_\_

Medium-term: \_\_\_\_\_

Long-term: \_\_\_\_\_



## Where are you now?

Income is that vital part of your money plans. But income alone is not the solution to achieving your money plans....how you manage that income it. So, at this point, it is important to take stock.

A vital first step is to write out how much money you receive from pay after essential taxes (PRSI, USC, Income tax etc) are deducted.

Second, you will need to identify all of your expenses. Here, you need to be completely informed and in some cases, honest with what you record.

Details matter

### 1. Income

For most people, this is your income received from your work, whether it is a salaried position or you are paid as a contractor or by day. What you get to take home is the figure that drives your spending. If you are budgeting jointly, spouse, partner, include their income also.

With PAYE modernisation, remember to avail of any tax credits you are entitled to. A full list of possible tax credits is available at [Revenue.ie](http://Revenue.ie).

If you have the option to Rent-a-Room, earn income from non-employment etc. (interest, investment etc.), include that also. Don't forget to claim back on medical expenses, Revenue allows up to 4 years worth of allowable expenses.

**Tip - as you track your money coming in and going out, don't just record it, question it! Ask if you can work the figures in your favour.**

## Where are you now?

### Expenses

- For the expenses section of your budgeting plan, you will have two main areas to focus on. first are PRIORITY expenses and the other expenses. For example, a mortgage and other credit agreements as well as vital insurance / protection policies must be paid for first.
- A mortgage is essential for home-ownership but it is also a debt that is reported to the Central Credit Register. Failure to pay it on time each month can result in an "impaired" personal credit report.
- Life protection, car insurance and other essential insurance payments are also key to short-term and long-term financial well-being.
- Saving for a child's future education.
- Saving into a work pension.
- Fuel costs for home and work travel.



## Where are you now?

### Expenses (cont'd)

**Tip - If you don't have all of the numbers off hand, try this:**

- Collect receipts for all day-to-day spending for 3 month.
- Gather your current account statements
- Gather your last 3 months of credit card statements
- Go to your 'MyAccount' on Revenue.ie or pull out your last 3 months of pay-slips to review your income.



The reason the 3-month period of time is important is that it should capture ongoing expenses and random ones that you'll need to manage your money better.



## Setting the Scene - Your vital money information

1



3 X Months Receipts - if you really want to meet your money goal, receipts will deliver the spending detail that you require.

2



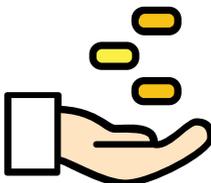
3 X Current Account Statements - here you can view all of the transactions, including any pay that is deposited and direct debits, withdrawal etc. It is a very powerful source of information.

3



3 X Credit Card Statements - Credit card statements provide access to any online or other purchases you have made recently.

4



3 X Income / Pay information - You will see any net pay reflected in your current account but your payslip will provide the GROSS earning information, including tax credit applied.

## Using your budgeting information

Having worked your way through the Budgeting Buddy, you will have one of three possible outcomes:

1. You have a surplus.
2. You use all your money and have nothing left over.
3. You have a negative amount (this means that you have not recorded all of your information correctly or you are spending beyond your current means).



## If you have a surplus

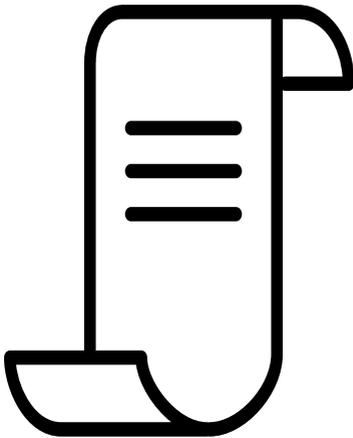
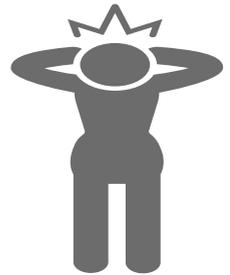
If you have a surplus, consider some ways of putting that surplus to use. Remember, we explored the four core pillars to building financial security:

1. Build a 'rainy day' fund - start small and try work towards having a fund of €500, €1,000 and see if you can get to a fund of €2,000 - €3,000.
2. Homeownership - if you plan to buy a home, there are strict deposit requirements. If you already are a homeowner with a mortgage, over-payment will reduce the total cost of interest. Check with your mortgage lender first.
3. Protect - here we are referring specifically to home insurance, Life (and mortgage) protection, Income protection (where necessary), Serious Illness. The level of protection will depend on your personal situation. Talk to a qualified financial adviser first.
4. Post-retirement - there are some great options to save for that time in your life when you will no longer be working. But the real magic is that the State and often employers pay too so take advantage of a great deal!

## What if you have a deficit

If you find that having worked through your budget in detail you are in a deficit (you spend more than you earn), you should:

1. Recheck your numbers - maybe you missed some items, double-counted what you have recorded and go through the process again.
2. Look for ways to balance your budget - ask yourself if there is any income or tax-relief credits that you can avail of . On the spending side, we list some options available to review and reduce costs.



Using receipts to create visibility and highlight spending:

1. Check your receipts against what you have recorded for expenses, especially REGULAR and OTHER expenses. For example, if you order in or eat out, have you accounted for this accurately? If not, this is where your receipts provide the level of detail you require.
2. Debit card / current account - also provide a wealth of up-to-date spending information as do credit card statements - use them!

## Ways to boost income

Regardless of whether one is employed in PAYE employment or self-employed (or a mix of both), there are a range of tax credits and reliefs in place that can reduce the total cost of tax. Some of those include:

Rent-a-room relief. This option is available for select room rental income.

Medical expenses relief

Education expenses relief

Home carer relief.

For a full list of reliefs, you can find out more at Revenue or Citizens Information.



## First steps to control costs

### Keeping an eye in it!

Because there are so many ways to spend, it can be a challenge for many people to readily recall what they pay for a variety of expenses, regardless of whether those are major costs, such as a mortgage, car insurance, home insurance, health insurance or for Life or Serious Illness protection.

But, there are some essential rules to spending:

1. Make spending visible - by knowing what you spend, you are empowered to act.
2. Master the detail - this applies on protection policies and even day-to-day spending habits. Remember the saying, The devil is in the detail, when it comes to your money plans, details are key to achieving them!



## Points to remember

Personal Budgeting is a powerful means of keeping your household finances on track and building financial security, including:

- Building a rainy-day fund
- Buying a home
- Protecting you, and your family
- Saving for your retirement



## Other critical factors

Personal Budgeting goes beyond the immediate foundation of building financial security, here are some other points to consider:

Your personal credit profile - budgeting helps you stay in control of your spending, saving, borrowing and planning.

A poor credit profile can restrict your access to loans, including a mortgage. It can also affect access to certain employment (in finance).

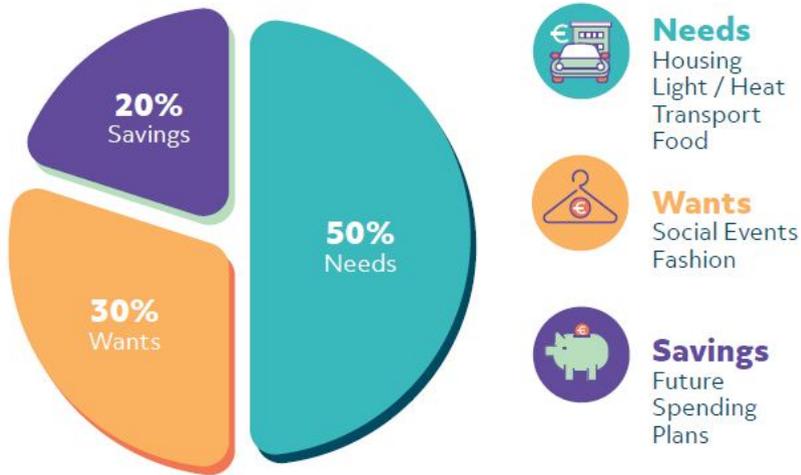
Finally, managing your money is the foundation to financial well-being in the present and in the future. For example, it is important to save for retirement if one wishes to protect the standard of living they enjoy today.



# A simple money rule for spending and saving

## Spending & Saving for Life

### 50:30:20 rule explained



How do you compare?

Using the information from your own Budgeting Buddy exercise, can you list how much you spend per month on:

1. Life NEEDS

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2. Life WANTS

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3. SAVING (including any money you save into your pension).

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## Important Services

Citizens Information - The Citizens Information Board is the statutory body which supports the provision of information, advice and advocacy on a broad range of public and social services. It provides the Citizens Information website, [citizensinformation.ie](http://citizensinformation.ie), and supports the voluntary network of Citizens Information Centres and the Citizens Information Phone Service 0761 07 4000. It also funds and supports the Money Advice and Budgeting Service (MABS) 0761 07 2000 and the National Advocacy Service for People with Disabilities.

Competition and Consumer Protection Commission - The Competition and Consumer Protection Commission (CCPC) is an independent statutory body with a dual mandate to enforce competition and consumer protection law in Ireland. The CCPC can be visited online at [www.ccpc.ie](http://www.ccpc.ie) or by phone on its Helpline Lo-call: 1890 432 432 | Helpline National: 01 402 5555

Revenue - [www.revenue.ie](http://www.revenue.ie).

Insolvency Service of Ireland - The Insolvency Service of Ireland (ISI) is an independent statutory body with the objective of restoring insolvent persons to solvency.

MoneyWhizz - independent financial education in schools and leading employers.  
[www.moneywhizz.org](http://www.moneywhizz.org)

## About MoneyWhizz

We are the independent financial literacy initiative in Ireland.

We work with leading employers where we offer a range of financial wellbeing programmes to their employees. These include seminars and other online delivery channels as well as a range of 1-1 events.

As part of our community support initiatives, we also provide a range of financial education material to secondary school students across the Republic of Ireland.



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[www.moneywhizz.org](http://www.moneywhizz.org)