

WHY DOESN'T MY BUDGETING PLAN WORK?



20
24+

INTRODUCTION

Despite having a personal budget you might find yourself having nothing to save or even to have fun and you might wonder, what's going wrong? Why are you never out of debt? You never spend your money on anything you don't need and yet at the end you have no money left. Maybe you're spending too much of your income on bills, at this point you could be lost and ask, how can I survive without paying bills? Your budget could be out of balance because you're spending too much on bills, but you don't have to worry, we got you covered.



THE 50/30/20 BUDGETING SYSTEM

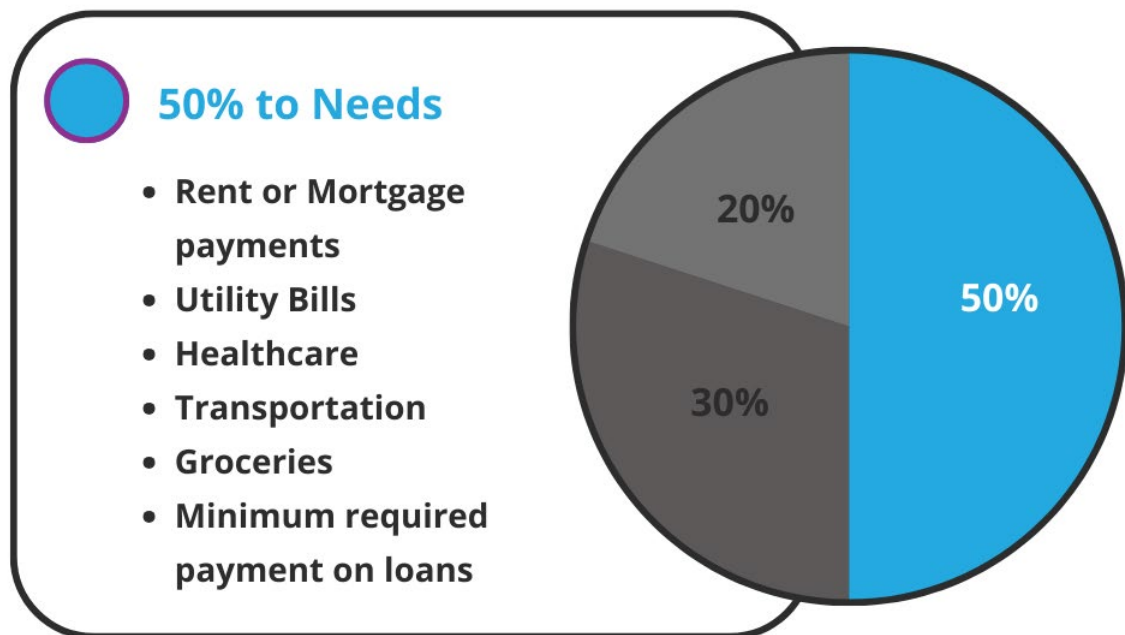
We give credit to Elizabeth Warren & Warren Tyagi for devising this system. According to the formula, 50% of your income goes to settling your needs or must haves, 30% to your wants and 20% to savings.

Questions:

1. Why just 50% of your income to your needs?
2. Why 30% of your income to your wants?
3. Is 20% of your income sufficient towards saving for your goals?

50% TO NEEDS

Needs are the things that we cannot live without. The must haves. They usually take up a larger part of your income. Things like food, rent, mortgage, etc. If your budget is out of control it's because you are spending a lot on your needs. That's why you have nothing left to save. The new budgeting rule recommends 50% of your income to your must haves. The reason why you have not been able to achieve the 50% is because you are spending money on bills you don't really need. For example, you could be spending a lot on your car insurance because you opted to an expensive contract, that's why needs are taking up more than 50% of your incomes. Considering how you drive you can opt to an insurance plan that offers more affordable rates. And thanks to technology, insurance companies are nowadays providing pay as you use motor insurance products. Specifically, the pay as you drive and pay how you drive products, cut the cost of premiums because risk involved can be quantified better through telematics. Switching to a more affordable car insurance will save you some shillings from your bills and help you achieve the 50% rule.



WHY CHOOSE 50% OF MY INCOME TO COVER FOR NEEDS?

1. You are in control. 50% is flexible. It gives you space to go back and forth. Things will not be consistent all through. There are some months that you'll have emergencies, others you will get a bonus from your job or extra incomes from your side hustle. Thus setting 50% of your income to needs helps you navigate through these.
2. It has worked before. It has been tested before and has proved great results in developed and developing countries.
3. It is sustainable. It seems effortless and at this budget one can easily place a plate of food on their table.

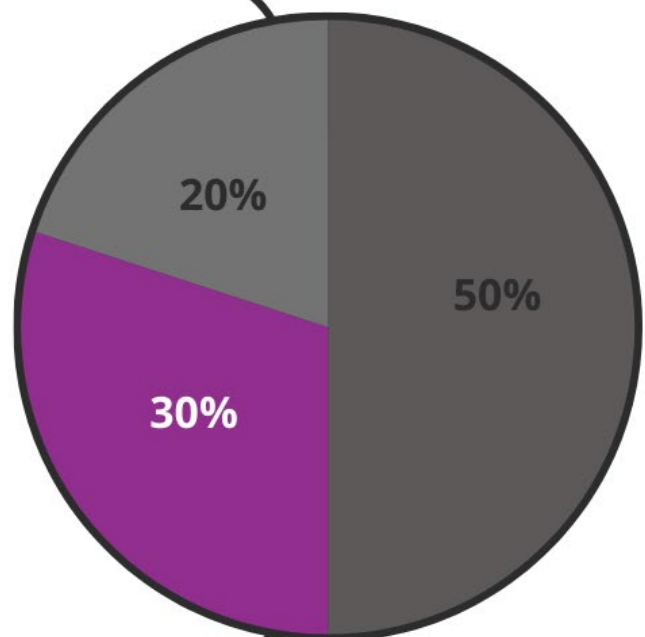
30% TO WANTS

30% of your income to wants represents the money you spend while fulfilling your desires. For wants we don't have to include everything but rather we choose our wants based on what makes us happy and what our preferences are. It could be gym classes, internet at home, vacations, etc. The reason why your budget is out of balance is because you're overspending on wants. Do you really need that expensive high speed home internet while you spend most of your time at work, where they also provide internet? Opting out of that internet plan or having one that is cheaper allows you to manage your disrupted budget. By so doing you cut off on bills and at the end you have something to save and you achieve the 30% budget rule.



30% to Wants

- Entertainment
- Shopping
- Dining Out
- Gym Membership
- Subscriptions
- Vacations

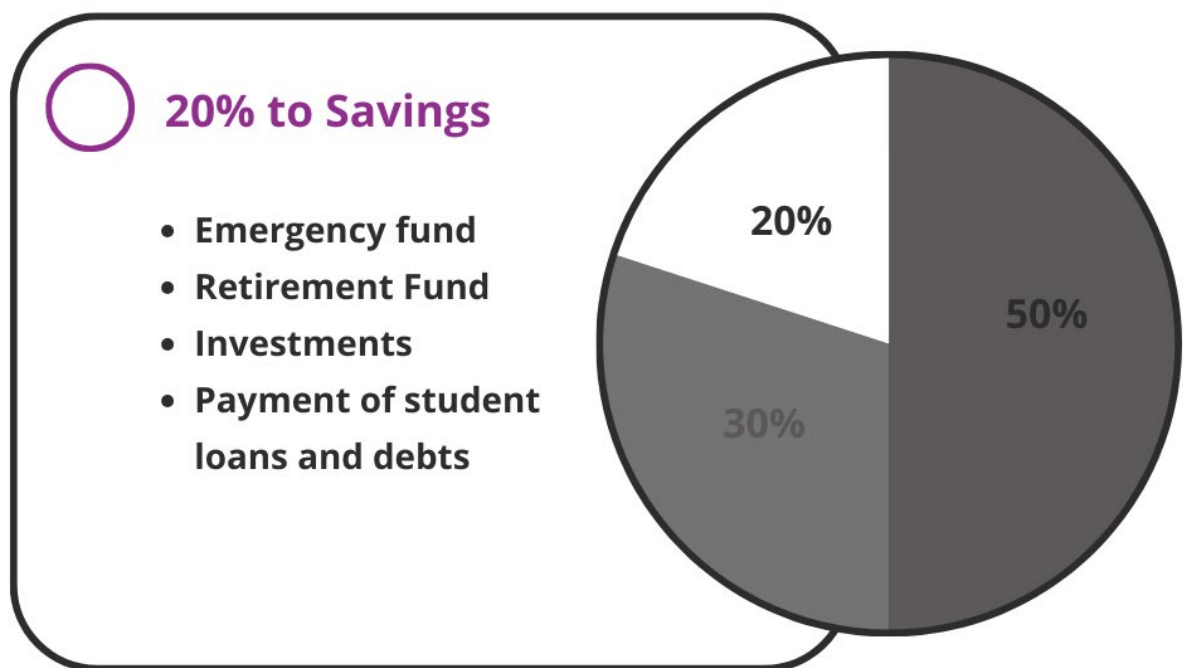


20% TO SAVINGS

This is the last part on planning your budget. When your budget is in order and the 50% to needs and 30% to wants has been allocated. Savings comes up automatically. The 20% of your income to savings, investment and emergencies fund allows you to plan for your future month after month. You don't have to be stressed about losing your job tomorrow, sickness or unplanned future events when 20% of your income goes to your savings.

Why 20% to savings?

1. It gives you financial peace. You don't have to worry about the future. The month by month saving will cover you in times of emergencies.
2. Meeting your financial goals. The saving will build to investment that can last to lifetime riches.
3. Growing older in comfort. Saving helps you plan on retirement, Thus comfort in your golden years.



CONCLUSION

The 50/30/20 budgeting rule ensures consistency and stability all through, such that even if you lose your job or your business goes down you can sustain yourself. One thing that the Covid 19 era ever taught us is that anything can happen. When the disease became an international emergency in 2020, economic impacts were felt all over with no exception.

During that period some people lost their jobs, businesses collapsed and most economy waere at a point of economic recession. Families broke up. If you lost your job during that period and you had no budget, your finances were really disrupted. To avoid all the inconveniences you should plan your budget using the 50/30/20 budgeting rule.

It is easier to execute and helps you to manage your finances well. Doing this will largely help you curtail the challenges financial constraints in future thus ensuring your financial security, stability and independence. At Arima Fund, We provide personalized service to each client and are available to cater for your financial and investment needs.

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