

CASH FROM PAYCHECK = R12 000.00



Dave Ramsey, an American financial expert and author, has a great idea for sticking to your budget. The envelope system, also known as the envelope method, is a popular method for visualising and maintaining a budget. The key idea is to store the cash to meet separate categories of household expenses in separate actual envelopes. Typically, you will write the name and average cost per month of an expense on the front of each envelope. Then, once a

month or when you get paid, you will put the amount for that account in cash in the envelope. When the expense is due, the money is taken out to pay for that expense. If you have a debit order, which is more efficient and safer than cash payments, for a debt repayment, you should still make the envelope and insert a slip of paper into it that stipulates the debit order date and amount.

Say, for example, you have a budget for groceries of R1 000 a month. You will then have an envelope with the word 'Groceries' on it and you can only touch it to pay for groceries and nothing else. When that money is gone it is gone; no borrowing from one envelope to pay for another expense is allowed.

It is very tempting to take from one envelope for something else, but remember you are trying to learn and practise discipline. Changing circumstances might require you to revise your budget from time to time. If your income increases, you can allocate more money to extra debt payments or your savings.

If your income decreases, you may have to save less in order to pay for basic necessities. Monitor your budget regularly so that you are prepared to adjust it in response to your changing circumstances.

Mortgage



R4000

Petrol



R250

Electrical



R750

Vehicle



R1 000

Groceries



R1 500

Savings



R750

Medical



R900

Gifts



R250

Donations



R250

Taxes



R1 200

Vacation



R100

Education



R750

Misc.



R250

Sum of Envelopes = R12 000.00

Sum of paycheck is equal to sum of envelopes.