

The beginning of the year is always a time when people witter on about cutting back and saving the cash. But how many of us actually do this and how much of it is hot air? Here is an eight-tip guide for those wishing to take a more frugal approach to managing their finances.

1. Budget

Monitoring the incomings and outgoings on a month-to-month basis is the first step. Financial planning is based on the budget which should include everything, not just essential outgoings like utility bills and tax. Owning a car entails more than just the price of fuel and road tax. Be sure to include the service costs of the vehicle no matter how infrequently servicing is needed.

Define the areas where savings can be made and ensure there is enough money to put into a savings account every month.

Essentials generally include food, mortgage repayments, mobile phone costs and travel expenses. One should avoid including any frivolous spending like going out and paying for entertainment.

2. Paying off debt

Getting on top of debt represents a major step forward in the quest to rein in expenditure. A crucial part of this process is understanding how much is owed and if the interest on the loan is high. Figure out which loans cost the most and pay them off first. Running a budget requires forward thinking and those who prioritise debt payment will reap the benefits further down the line.

3. Save for a rainy day

A savings account serves as a buffer for any unforeseen expenses that might crop up. Recent research carried out in the UK suggests 20 percent of people have no savings whatsoever. Last year was a testing time for savers and only four out of 10 were able to put away

any cash. The recommended amount of savings should total around six months worth of take-home pay, say financial advisors. Those who regularly contribute to a savings account will experience higher rates of interest each month.

4. Finance review

It is recommended to do finance reviews every month. Factors such as insurance policy renewal and fluctuating interest rates mean that there are plenty of opportunities to cut a better deal out there. New packages with improved savings rates can be found if the market is monitored regularly.

Simple things like checking monthly bank statements and making sure any out of date direct debit payments have been cancelled will help ensure that the money saved is doing its job.

5. Contribute to a pension

Although the retirement home may be a long way off, putting money aside for

ways to save – formas de ahorrar
to witter on about sth – (ser) ingenioso sobre algo
to cut back (on sth) – reducir gastos
hot air – palabrería
eight-tip guide – guía de 8 consejos
frugal – frugal
approach – enfoque, acercamiento
incomings – ingresos
outgoings – gastos
on a month-to-month basis – mes a mes
to include – incluir
essential – esencial
utility bills – facturas de luz, agua, teléfono.....
tax – impuesto
to own – tener, poseer
to entail – acarrear, suponer
fuel – combustible (gasolina)
road tax – impuesto de circulación
service costs – coste de mantenimiento
vehicle – vehículo
infrequently – poco frecuente, pocas veces
to define – distinguir
to make savings – ahorrar dinero
to ensure – asegurarse
savings account – cuenta de ahorros
mortgage repayment – pagos de hipoteca
expenses – gastos (de viaje)

to avoid – evitar
frivolous spending – gastos innecesarios
to go out – salir
to pay sth off – saldar
debt – deudas
to get on top of sth – hacerse cargo
major step forward – gran paso adelante
quest – búsqueda
to rein in – controlar
expenditure – gastos
crucial part – parte crucial
to owe – deber
interest – interés
loan – préstamo
to figure out – averiguar
to require – requerir
forward thinking – anticipación
to prioritise – ordenar según prioridad
to reap the benefits – llevarse los beneficios
down the line – más adelante
to save for a rainy day – ahorrar para tiempos difíciles
to serve as – servir como
buffer – amortiguador
unforeseen – imprevisto
to crop up – surgir
research – investigación
to carry out – llevar a cabo

whatsoever – en absoluto
a testing time – período de prueba
to put sth away – guardar, ahorrar
recommended – recomendada
to total – ascender, sumar
take-home pay – salario neto
advisor – asesor
to contribute to – contribuir
to experience – tener experiencia
rate of interest – tipo de interés
review – revisión
factor – factor
insurance policy – póliza de seguros
renewal – renovación
to fluctuate – fluctuar (variar)
to cut a better deal – obtener un mejor acuerdo
package – paquete
improved – mejorado
monthly bank statement – extracto mensual de la cuenta
out of date – atrasado, caducado
direct debit – pago domiciliado
to cancel – cancelar
pension – pensión
retirement – jubilación
a long way off – muy lejos
to put money aside – apartar dinero

security in old age is essential. Subscribing to a contributory pension is something everyone must do, according to the Managing Director of Adapt Interactive, Mr. Muiyiwa Aluko. "As a general rule, it is advisable for people to contribute a percentage of their salary in a contributory pension in order to make certain their retirement benefits."

Normally advisors recommend that this is half the age of a person when they start a pension. This means that if someone is 20 they should put in 10 percent of their salary and, accordingly, if they are 40, 20 percent, proving that those who start earlier save more.

6. Avoid tax on savings

There are many ways to cut back on the percentage of tax paid on savings. Those in the UK are advised to take an annual ISA allowance. An ISA allows people to save money in cash or shares without having to pay interest or capital gains on any profit made. For those who don't pay income tax, a special R85 form can be filled out meaning that banks and building societies will not automatically deduct 20 percent of income tax from their savings.

7. Compare insurance deals

Insurance policies place a great strain on budget resources so before renewing a current policy on a car or home take a look at some of the other options by using the internet to compare costs. Plenty of useful price comparison sites exist where the cheap policies can be found. One in particular, Confused.com says, it can save the average user GBP 380 on motor insurance and home insurance. However, one should be vigilant and read the small print to avoid being saddled with insufficient cover.

8. Think ahead

Forward planning involves considering other expenses like Christmas, summer holidays and birthdays. Less common events like having a baby or buying a car must also be taken into account.

Thinking about the expenditure involved and how to cover it will go some way to ensuring the correct amount is left each month.

"By planning in this way and using savings, you can save a considerable amount compared with relying on debt to cover these events, and then having to repay the money plus interest", says Chief Operations Officer of Seaview Investments Limited, Olugbenga Egunjobi.

Sticking to a savings plan is a long-term commitment and those who choose to implement one must stay focused and ahead of the game. It involves considerable attention to detail, especially when it gets down to sorting out the humdrum household expenses and investment plans. Even so, those who do are setting themselves up for less stress and more cash to do the fun things in life.

"Most people don't like to plan unless they're talking about something fun, like a vacation", says a personal finance expert on rismedia.com. "But actually, planning for your financial future is a little like planning a vacation. You're organising your money and time so that you get to do all the great things you want when you get there. Look at it that way, and you might actually enjoy the process." ■



security - seguridad
to subscribe to - suscribirse
contributory pension - pensión contributiva
according to - de acuerdo con
managing director - director general
advisable - aconsejable
salary - salario, sueldo
to make certain - asegurarse
benefits - beneficios
accordingly - por consiguiente
to avoid - evitar
percentage - porcentaje
annual - anual
ISA (od Individual Savings Account) - cuenta de ahorro personal
allowance - prestación
to allow - permitir
shares - participación
capital gains - ganancias capitales
to make profit - obtener beneficios
income tax - impuesto sobre la renta
form - formulario
to fill out - rellenar
building society - sociedad de crédito hipotecario
to deduct - deducir
to compare - comparar
to place a strain on sth - poner presión en algo
resources - recursos
price comparison site - páginas de comparación de precios
in particular - en particular

confused - confuso
average user - usuario medio
motor insurance - seguro del vehículo
vigilant - alerta, atento
the small print - letra pequeña
to be saddled with sth - endosar/encajar con algo
insufficient - insuficiente
cover - cobertura
to think ahead - ser previsor
to involve - suponer, implicar
to consider - considerar
common - común
event - evento
to take sth into account - tener en cuenta
to go some way to do sth - ir de alguna manera
considerable - considerable, importante
to rely on sth - contar con
Chief Operations Officer (COO) - director jefe
to stick to sth - atenerse a
long-term commitment - compromiso a largo plazo
to stay focused - centrarse
to stay ahead of the game - anticiparse
attention to detail - atención a los detalles
to get down to sth - reducirse a
humdrum - rutinario
household - de casa, casero
to set oneself up for sth - establecerse
personal finance expert - experto financiero personal