

Personal finance

The importance of planning personal finance, you can plan how much money you need to spend in order to increase your financial situation. It's also good to plan your personal finance if you are a young person living away from home.

It is important to plan your personal finance, in order to do this it is wis to plan and sort out your income usually your **sources of in income** include.

- Wages/Salary
- The sale of personal items
- Gifts from family and friends
- Inheritances
- Savings

Wages/Salary

If you have a full time job or a part time job you will be receiving income usually weekly or monthly. You will be paid straight in to a **bank account**, but remember that you will receive this kind of income after deduction.

The sale of personal items

Selling of personal items for example if you don't have a job you may consider selling your CD player that you didn't use anymore to pay something you may need.

Gifts from family and friends

Sometimes you relatives or friends may offer you gifts in term of money. And this would most probably come as a surprise. Also if you are in debt you friends and relatives may help you to overcome your problems.

Inheritances

If one of your family members dies and they may leave you all there money to you, this money is called **inheritance**.

Savings

Savings is if you have money in the bank and invest a small amount of money every week or month. The bank ill than but interest over the money that you have invested. This money can be used when you have a shortage of money at a certain time.

The importance of planning

A way of monitoring your personal finances is to check *regular/irregular* income and expenditure would be by using cash flow forecast. By using cash flow forecast you will be able to show all receipts and money spent. A cash flow done for one year will give you an estimated prediction of what you might spend in the following year.

Regular expenditures

Expected expenditures that you have to pay every month regularly, this could be

- Accommodation either rent or mortgage
- Travelling expenses
- Food and clothes
- Leisure activities

Accommodation either rent or mortgage

This is probably the number one priority for most people after the requirements of life have been taken care of. This can be a substantial part of income. A mortgage for example can be several hundred pounds a month and even rented accommodation is not easily obtained for less than 258 a month. Many people however share a flat and so the rent.

Travelling expenses

After a place to live, travelling usually gets top priority. Some of this such as travelling to work, this is essential while other journeys may not be regarded as essential. These include short journeys, which can be walked or journeys that are probably for leisure.

Food and clothes

Without food you wouldn't live, but you can eat at home cheaper than going out to eat, and this would save money. Clothes don't have to be a designer's e.g. Nike, Evisu, Reebok, and Addidas. These are essential expenses but vary widely with individuals. While some may prefer to rely on second clothes available from the numerous charity shops, many not necessary those who can afford it prefer designer clothes.

Leisure activities

These are essential. They include a verity of activities such as

- Going to clubs
- Attending a football match
- meeting your friends/visiting family

Irregular expenditures

Unexpected expenditures that you haven't budgeted and have to replace immediately. The typical unexpected expenditure may include

- Special occasions
- You get a parking ticket
- A new TV

Special occasions

It is important to keep some money for special events such as birthdays, weddings or festivals. Birthday, Christmas and weddings can be easily saved for because you know the exact date. They can be expensive and it's useful to be able to have a savings account to meet such commitments.

Parking ticket

Parking tickets are **irregular expenditures** because you did not expect them. Therefore when you get unexpected expenditures parking tickets you have to pay straight away or it will increase each time you leave it to later.

Whys in which those above sources could be paid?

- Direct debit- used where the debtor gives authorization to debit his or her account upon the receipt of an entry issued by a creditor.
- Cash-the payment will be in notes or coins
- Cheque- Is a written instruction , which tells to transfer the amount stated into another person's account,.

Gross and Net pay:

Gross pay is all the money earned before deduction of tax and National insurance and all that is left after the deduction is Net pay, which means that's the amount of money you can keep for your own use. The employer does the process from net to gross to net pay automatically he pays is to the government.

Financial documents

1. Bank statement

- A monthly statement of account which a bank sends to each account holder.

2. Passbook

- A record of deposits and withdrawals and interest held by depositors at certain banks.

3. Payslip

- A slip of paper included with pay that records how much you have earned and how much tax or insurance etc. has been deducted.

4. Receipts

- Piece of paper received when something is been purchased as a proof of that you have bought the product or service.

5. Cheque.

- Is a written instruction , which tells to transfer the amount stated into another person's account,.