



## **Planning for Life Stages- Building your Financial Foundation**

An essential part of financial planning is recognizing that our financial needs, goals and priorities will change over time. Although no two people share the same financial situation we all pass through three primary life stages. In the first stage you are just starting out probably fresh out of high school or university. The second stage will be your “Prime Earning Years” and the final stage at or near retirement. This week we will discuss the first stage i.e. just graduating from school and entering the world of work and how you should use that time to “Build your financial Foundation”.

The first thing you should do financially is create a budget for yourself. Well, you may ask why do I need a budget, why is it so important? A budget allows you to effectively manage your money. Through budgeting you will be able to ascertain your spending patterns and see where savings can be achieved. This in turn affords you the opportunity to place excess funds into savings or investments or work on eliminating any debt.

For those who are new to budgeting this may be a daunting task. One might ask what information do I need and where do I get it? In starting out one must gather all financial statements, utility bills, salary slips and also keep records of all expenditure. After you have gathered all this information you are now ready to do your budget. Firstly, list all your expenses e.g. student loans, utility payments, house rent etc. Your expenses should be broken into Fixed Expenses and Variable Expenses. The Fixed expenses are those expenses for which the amounts remain the same every month. They include house rent and insurance payments. Variable expenses are those expenses which vary from month to month. These include the grocery bill, telephone bill, entertainment etc. You then list separately all sources of income example monthly salaries or weekly wages. It is also important that when recording the income you use the net income not the gross. After you have listed your income and expenses subtract total expenses from total income.

If your total income exceeds your total expenses then you are well on your way. This means that you spend less than you make. If however, you spend more than you total income then you have an additional step to take. This involves reviewing your expenditure to pinpoint where you spent too much and can make cut backs. This is where splitting your expenses into Fixed and Variable Expenses is critical. From our explanation we see that one cannot make any changes to the Fixed Expenses. So we have to examine our Variable Expenses. Because of the fact that these amounts vary we can control them. A simple case would be to reduce your monthly telephone bill or control your grocery bill.

This is very important because at the end of the day one must live within their means so we have to decide which variable expenses we can reduce and which we can cut out all together.

After you have budgeted and organized your finances you are now ready to start a savings plan. It is very important that you set realistic savings goals for yourself. The savings goals you set for yourself must be within your means. To assist you with your savings goals we suggest that you go to your bank and set up a standing order so that the funds are taken from your account automatically every month.

If you have any questions on savings or preparing to invest call the Customer Service or Investment Department of Bank of Saint Lucia at 456-6000 or visit us at [www.ecfh.com](http://www.ecfh.com).