

## Spend within our means

Managing our money wisely is an important skill to acquire so that we can achieve our financial goals.

*The four important questions to ask ourselves:*

- What are our current sources of income?
- What are our present needs?
- What are our future goals?
- How can we achieve those goals?

## Essential Preliminaries

- Monthly income should cover monthly living expenses such as food, electricity, water, telephone bills, school fees for children, etc.
- Meeting our financial obligations to avoid future hardships like penalties on arrears.
- A cash reserve has to be set up to meet emergency cases for example unforeseen medical treatment.
- Once the above are met, life insurance must be a component of our budget because it protects loved ones against financial hardship, in case of death, and support retirement planning.

## Unforeseen increases in expenses

- Very often we do not budget for unexpected increases in monthly expenses. For example, many of us take variable interest rate loans but do not budget for unexpected rises in interest rates. The result of such mismanagement of repayment of debts is that, with time, we might not be in a position to honour our financial obligations.
- The objective of setting up the cash reserve is precisely to prevent us from getting into such delicate situations.
- The cash reserve also acts as savings for other future needs provided that those savings are invested judiciously.
- It is also essential not to make future commitments in anticipation of future increases of income since the expected future income increases might not materialise and also unforeseen increases in the cost of living may hinder the realisation of those commitments.

## Saving for meeting future goals

*Why save?*

- The purchase of a house or car
- Children's education
- Marriage
- Retirement planning
- Investments
- Vacation

*Is there any minimum that should be saved?*

There is no ideal limit that we may set aside as savings per month. The most important thing is to be able meet a savings target that is realistic to follow and to cultivate the habit of saving.

## How to save when shopping?

- Plan the things you want to buy.
- Avoid buying 'nice' but unnecessary things.
- Bargain for a lower cost whenever possible.
- Buy in bulk, depending on your monthly needs, if you have sufficient cash.
- Be careful not to overspend during sales period.





# Managing our Money Wisely



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## Quick Recap

- Managing our money wisely is a useful habit that everyone should cultivate.
- It is something that everyone can do. All it requires is a bit of planning and proper management of our finances.
- Avoid bad spending habits and understand that some unforeseen circumstances can always crop up. Be ready for dealing with them.
- Be realistic with your savings target.

**Always remember:**

**"If we take control of how we spend our money, we shall be able to make better use of it."**

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