**Budgeting Principles**

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| **1** | **Be conservative**  Don't budget on the basis that everything will turn out as expected. Build in a safety factor by tending to **underestimate your income** and **overestimate your expenses**. A common strategy in developing a budget is to insert an additional expense called "contingencies" which allows for unforeseen expenses. |
| **2** | **Consult other people in setting a budget**  One person may be responsible for the compilation of the budget but one person should not be responsible for all the work involved. Budgeting requires teamwork. The task of budgeting should be split and allocated among those individuals who have the best chance of knowing what expenditure is likely to be needed and what income is reasonable to expect. Involvement by many people in budgeting might slow the process down, but the answer is far more likely to be accurate and dependable. |
| **3** | **Allow plenty of time**  Budgeting is not an activity that is completed in a few hours. A good budget may be worked on for several weeks if not months, adding and changing figures as new information comes to light. |
| **4** | **Excellence in documentation**  It is very important that the author(s) of the budget strive to produce documents that can be read and understood by anyone. If figures are not clearly labelled even the author will, as time passes, have trouble understanding where the figures come from and how the calculations were made. It should be assumed that budgeting workings will be:   * Circulated to many different people who may have lower levels of financial literacy * Useful again in a year's time when the budgeting process begins again. Unless workings are well labelled it may be difficult to remember.   Example of labelling:  illustration of good labelling on budget workpapers |
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