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Personal finance planning

Introduction

Before buying any things consumers must earn the necessary income. Most of the money people make over their lifetime comes from work. They also gain some income from the use of their wealth. Wealth used in certain ways draws income in the form of rent, interest, and dividends.

Resources and methods

The study used of the latest scientific achievements of local economists, managers and financiers.

Results

Money problems affect all people, no matter how much or how little they have. Most financial troubles come from bad habits of overspendings money. That's why financial planning is so important. It's hard to think about the future when pay-day is a week away and the checkbook is empty. A personal budget sets limits on the amount of money that will be spent on each category of expenses in a given time period. It is an organized way to compare income and expenditures over a relatively short time frame – usually monthly. It should allow a person to forecast his income, keep track of his expenses, monitor his progress, and make changes as needed to reach the goals. To put it another way a personal budget involves looking at how much money a person expect to earn and then determining what he can afford to spend. A properly executed budget will allow a person to simultaneously meet his expenses, put money into savings, and pay back outstanding debts. It will also provide a cushion to cover any emergency situations that may arise. When a budget has estimated expenses that exactly equal planned income, it is said to be balanced. If expected income exceeds estimated expenses, the budget has a surplus and a person will have money to put into a savings plan to achieve his intermediate

term or long term goals. If anticipated income does not cover all expenses, the budget has a deficit. The way out is to increase income or decrease some discretionary spending, such as entertainment or eating out. The majority of people today are not living on a personal budget. It means that they are living beyond their income. The availability of credit has allowed people to purchase what they want and when they want without giving thought to whether or not they can actually afford it. There is little hope that people will change these patterns of behavior in favor of living on a budget until they realize the number of corresponding advantages. Having a budget does not prevent people from spending money, using credit cards, or taking out a loan for special purchases. Instead, a budget encourages them to be certain they can afford what they are buying.

Conclusions

Having a budget can also help build up savings! These savings can be used as a credit purchase, or as an emergency fund in case of a sudden illness, or for having to make significant repairs to a person's home or car, or serve to buffer if he lost his job. Ultimately, a budget encourages people to spend their money responsibly, wisely, and in moderation in order to get more for money earned.

References

1. "Personal Finance". Investopedia. Retrieved 7 April 2012
2. "What is Personal Finance?". Practical Financial Tips. Retrieved 7 April 2012