



# Gemma

know • plan • act

## Gemma Budgeting Toolkit



Published:  
August 2023

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## Needs and Wants

If we wish to learn how to save and spend money wisely, the very first thing we need to learn is how to distinguish between needs and wants especially at the moment we are going to spend our hard-earned money! We need to make sure that important basic needs are met.

- What are Needs?  
Needs can be things you require ; they are essential things which are needed for everyday living.
- Question to service user:  
What do you need to live every day?  
Food? Shelter? Clothing? Connectivity?  
Elaborate and state why these are essential.
- What are Wants?  
These can be explained as wishes. We may wish for a new mobile although the one we have still worked perfectly. We may wish to eat out rather than cook and eat a meal at home.  
You have to teach the service user to ask themselves: do I really need to spend money on this?  
Could I do without this for now?





When setting a budget one needs to make sure that all the needs are catered for and then they can set goals to save for their wants.

Some examples of needs - the necessities are food, clothing, rent or other home related expenses such as electricity bills- we need to spend for these.

Wants are Desires, even though we think we need that new mobile or branded running shoes we should know we cannot afford the €€€.

Needs are things that you think are essential - Once again ask for examples.

Wants are things that you think you would like but could do without. -

What stops getting all we need and want?



As we have to Live '**within our means**' explain this and we have to Live on a fixed income explain this concept.

We are all limited by the money we receive from work or benefits or other sources at the end of the month. This is what we call our income. Living 'within our means' means protecting our money and not spending more money than we receive in income.

Most families live on a fixed monthly income, so it's important to manage their money and budget properly. It is important that all basic needs are met for the home and if possible, some wants. Different households and families will have different ideas about what is a need and what is a want, their priorities maybe different but usually food, shelter and clothing are the basic needs.



## Loans and Debt

### What is a loan?

A loan is an arrangement under which a lender allows another party the use of funds in exchange for an interest payment and the return of the funds at the end of the lending arrangement.

Generally when we speak about a loan we are referring to a sum of money that one or more people (for example a couple obtaining a house loan) or companies borrow from banks so as to financially manage planned or unplanned events.

Usury is the act of lending money at an interest rate that is considered unreasonably high or that is higher than the rate permitted by law. In Malta the charging of interest on loans in excess of 8%, is considered to be usury which is an economic crime.





## How can you deal with debt?

If you have one or more debts, feel like your debt is spiralling out of control and /or are feeling anxious about your debts you need to:

- Take time to focus on your overall debts, breathe deeply and keep calm while you consider the over all situation.
- Gather all the information of your income, spending and bills (see planning a budget).
- Consider your available options.



Devise a careful plan which deals with all the debt issues

You need to carry out the following 5 steps to do this:

- 1. Work on obtaining a clear picture of your finances:**  
You need to have a clear image of your debt, what you owe and what you can afford to pay. This can be done by making a list of all the money you have coming in and going out and of all your bills, debts and any assets you might have.  
Assets can include things like property, cash, investments, cars, boats, jewellery.
- 2. Deal with urgent and priority debts first:**  
Having a lot of debts can be very discouraging and extremely stressful. you might be feeling overwhelmed. Some types of debt are more important than others and need to be dealt with more urgently. It is essential to give priority to the more urgent debts and pay those off first.



### Priority Debts:

Priority debts are debts such as mortgage (home loan) arrears, rent arrears, utilities, fines and maintenance payments. With these debts your creditors have extra powers to: repossess property, evict you, disconnect utilities or fine you.

Home loan and rent arrears are extremely important because you could lose your home if you do not pay them.

### Secondary Debts:

Secondary debts are other types of debts where the creditor does not have extra powers, like eviction or utility disconnection. Although the consequences of not paying these debts are less serious they cannot be ignored as you can still be taken to court if you do not keep up with the payments.

Examples of these can be credit card debts or telephony/ internet debts.

### 3. Find ways to improve your finances:

- Check whether you may be entitled to any benefits  
You can do so by calling [servizz.gov](https://www.servizz.gov) on 153, or by going to one of the [Servizz.gov](https://www.servizz.gov) hubs.
- If you have a job you can also increase your income
- Asking other household members such as adult working children to contribute to the household finances
- This can be done by asking to increase your hours, asking for a raise, looking for a better paid job.
- Sell your unwanted things online
- Working part-time or
- Turn your hobby into a source of income- if you make soaps or jewellery, crochet or sew you could



earn money for your work. Remember it is important to carry out these type of activities in accordance with Malta tax and VAT regulations. You can learn more about this by following the GEMMA SME training or reading the resources found on our portal and confirming with Malta Customs and Tax Administration.

#### 4. Think about how to deal with your debt

- Good money management may help solve your debt if you have enough income or can get more income to pay debts by making some changes to how you spend your money. One way to reduce or clear debt is to is by selling an asset. You need to consider the pros and cons of selling an asset, as some assets are a vital source of economic security. You may need your car to get to work for example.
- Voluntary arrangement- you may reach such an voluntary arrangement when you contact your creditors and negotiate an agreement to pay back your debt or debts over a period of time.





## 5. Starting with your debt tackling action plan

If you have successfully completed the previous steps, you will have collected all your financial info and created a good money management plan. This plan is based on any improvements you can make to improve your situation.

You will have:

- Identified and dealt with any urgent actions needed
- Made repayment plans, where necessary especially with priority creditors
- Explored your tackling debt options

If you have missed or left incomplete some of the above steps, you should return to them and finalise them properly.

Studying all the steps will help make the right choices towards finding the best solution.



# Planning a Budget

You can ask all the following questions to a service user and then input the answers if they are not covered by their reply.

## What is a budget?

It is a plan for managing your money and helps you plan for the future.

## Why is a budget important?

It is important if:

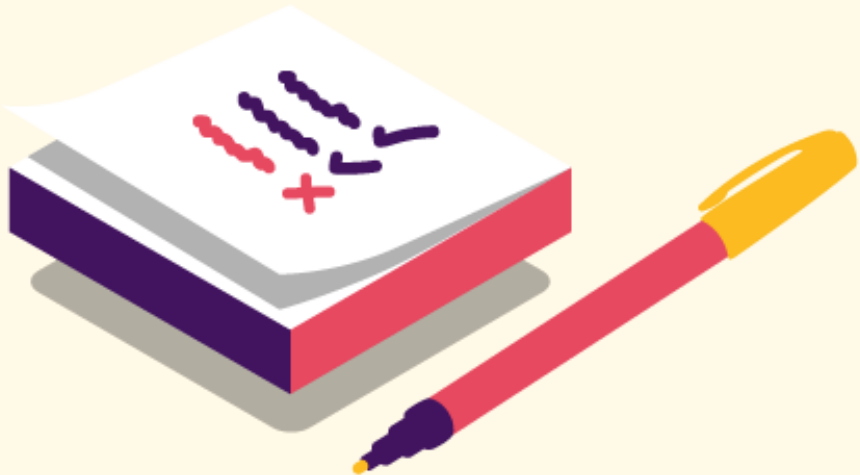
- Want to make the most of your money
- Don't know where your money is going
- Don't save money regularly
- Have problems paying your bills or debts
- Feel like you're not in control of your finances
- Are planning for a major purchase like a car for example or a life event like a wedding
- Making a budget can help you feel better, less anxious and more in control of your money
- It can also help you to have more money for things that are important to you.



Planning your budget is very important: it can help reduce stress, understand what your necessities and priorities are, and keep your life more organised because you will be keeping track of the money coming in (your income) and the one going out (your expenditure). A good budget will help you:

- plan on how you will pay for your bills and unexpected expenses
- saving for special events like a holiday
- help you control your spending, so you do not overspend
- understand how you are spending your money and evaluate where you can save

You can create a weekly, monthly or yearly budget.





## Before you Start Planning

### 1. What are your goals?

You need to think about your goals to identify your short-term and long-term goals. Let's take a step backwards to understand what a Financial Goal is.

A financial goal is a milestone or objective you wish to achieve with your money. These can be paying off debt, saving money for emergencies or saving for a holiday. Although setting a financial goal state and makes clear what you'd like to achieve you still must take action to reach those goals.

Remember that financial goals may change:

When setting financial goals, remember to consider lifestyle and responsibility changes. If this year you had a baby your lifestyle and expenses may have changed drastically, and this should be reflected in your goals. Revise your goals regularly to confirm if they still meet your needs.



## Why is setting goals important?

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Setting a goal helps us to visualise and create our future. It helps us assess our current situation -in this case our current financial situation- and decide where we want to be. Starting with what you want to realistically wish to achieve is a good way to understand which goals to set. Having goals also helps us be decisive. We get to decide what we want to focus our energy on, how we want to improve our lives and where we want to be in the future.

## 2. Different types of goals:

There are three types of financial goals. In this case we shall be learning about short-term financial goals and long-term financial goals.

## Examples of short-term goals:

- ◊Paying off your credit card
- ◊Reducing your spending
- ◊Starting to build an emergency fund

## Examples of long-term goals:

- ◊Tackling all your debts
- ◊Planning for the future

### 3. Know where your money is going

You must track keep of your money: you have to know what comes in and what goes out of your pocket every day. Every euro you spend affects your overall budget. With this knowledge, you can make decisions about future spending.

Start by keeping track of your spending for a week and then extend it to a month to include your monthly expenses. You can use the Gemma Budget Planning app or a spending diary.

Fill in your diary or input in the app everyday listing where you spent money or gave money to the children etc. At the end of each day, you will know how much you spent. When you add this up, every week or over a number of weeks, you can begin to get a picture of where your money goes.



## How to complete your spending diary:

### Income

Fill in your expected income for the month. Things to include under Income are:

- Wages and salary after deductions (Only include overtime if it is regular)
- All social benefits payments
- Contributions from all other people who live in the household who contribute to the household income such as grownup children (also known as non-dependants).

Household Weekly Income		
	Income 1	Income 2
Social Benefits		
Pension		
Maintenance		
Other contributors to the household		
Other		
TOTALS OF ABOVE		

Daily Spending Day <i>Monday</i>	Date 00/00/2023
Item	Amount - €
TOTAL	

## Spending

Start on any day you wish - just remember if you are using a diary and not an app, to start a new diary on the same day each week.

Write down all amounts for all spending, no matter how small. Don't forget that cola or coffee, your petrol or the bread, eggs and milk you bought from the corner shop. There will be lots of times when you spend money on items which are not regular, and this might not seem important, but they will give you a complete picture and you may be spending a lot more on these little things than you thought was possible.

## Bills

You can include them in the diary if you pay them on a particular day. If not, just make sure you list them in your monthly outgoings at the end of the diary. You can list them as recurring expenses in your budgeting app. These could be rent, Television/Netflix, your mobile phone bill, etc.

**End of week**





When you have completed the diary for the first week, transfer the figures for each day to 'Weekly Outgoings' at the end of the diary. There are a lot of categories here (food, pay as you go mobile etc) but many of the categories do not change from week to week.

Some examples of categories are:

- Rent
- Transport
- Fuel
- Food and home care
- Utilities
- Insurance
- Mobile bills
- Internet bills
- Saving, Investing, & Debt Payments
- Personal Spending

Add up all the daily figures for these items individually and put down the total weekly cost in the relevant category. When you have transferred all these figures, add up the total to obtain your 'Total Expenditure'.

We recommend marking those purchases made using a credit card or virtual payment method such as Revolut, since it is easier to 'forget' or be less aware about using money when not using cash.

Do this every week for four weeks (a month) and then at the end, you should have a good picture of where your money goes.

## DIARY Income Sheet – this may be adapted

ADD Incomes 1 & 2 for the TOTAL INCOME OF HOUSEHOLD.  
If you get paid monthly multiply by 12 and divide by 52.

## DIARY Spending Sheet – Example for Monday, this may be adapted

At the end of the week the user should think about whether:

- they would have paid less if they bought in cash instead of card
- if they have shopped around to find the item cheaper
- if they have put aside any money for savings
- if they have tried checking for outings/ activities this weekend which are free
- if there were items they could have done without, if they could save more or cut back on certain expenses.



WEEKLY OUTGOINGS	
ITEM	AMOUNT €
Household	
Rent	
Utilities	
House Loan	
Food and Home Care	
Maintenance	
Telephone	
Mobile Phone	
Gas	
Television subscription	
Clothing and Shoes	
Transport Expenses	
Car Loan	
Car Insurance	
License and Registration	
Car Maintenance (for example new tyres, repairs, service)	
Fines	
Fuel	
Buses (if applicable)	
Cabs	
Child Costs	
Childcare (if not eligible for free childcare)	
Books	
Stationery	
Other	
Other regular Payments	
Health Insurance	
Savings	
Private Pension Scheme	
Miscellaneous	
Medical costs	
Holidays	
Social	
Loan repayments	
TOTAL EXPENSES à	

Think about Needs and Wants (see relevant article)

Once you have carried out the budgeting app / money diary exercise you will know where your money is going. Now is the best time to decide which things are your 'needs' and which are 'wants'.

Needs are the essential items you need to live, for example paying for the rent of the place where you live or electricity.

Wants are everything else or the things you could live without. At this point you must rank your non-essential expenses. Have you've figured out your needs and wants? Perfect now you are ready to start working on your budget.

## Creating your Budgeting Plan

After carrying out the diary/ budget app exercise you should know how much monthly income you have and how much you spend.

Ask yourself if you can reduce your expenditure by cutting down on unnecessary wants and if you can increase your savings amounts. Apply these changes realistically.

After having done all the above you can pick a budgeting method and monitor your progress.

GEMMA recommends that you try the 50/30/20 rule as a simple budgeting framework.

This means you must allow up to 50% of your income for needs, this unavoidable expense would include the payments for all the necessities that would be difficult to survive without. Your most essential costs should be



covered by 50% of your after-tax income.

Leave 30% of your (after tax) income for wants, that is non-essential expenses, the things you choose to spend your money on even though you could live without them if you had to.

Then commit 20% of your income to savings and debt repayment.

This does not mean that you should stop keeping the diary or using the app as it is the best way to ensure you stay on track. REMEMBER if your income is not enough to cover your expenses, adjust your budget (and your spending!) by deciding which expenses can be reduced. Revisit your budget every quarterly.

**TIP: USE OUR EXCEL 50-30-20 EXCEL TOOL** (link on page 29)

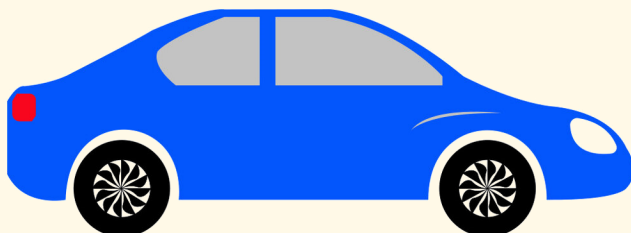
### Envelope Budgeting System

If you need to be more disciplined with your spending habits GEMMA recommends using the Envelope System.

Confirm your monthly income and expenditure.

As per above, you would still need to know your total monthly income and expenditure.

Set Budget Categories. The next step for the envelope budgeting is choosing which categories to put in your budget. Rent, utilities, phone bills, groceries etc



## Set Budget Amounts to Each Envelope

Assign the available spending money to your budget categories, based on your income and expenditure. Make sure you are taking everything into account and set aside money for saving. Divide your cash up and write down the amount of money each contains on the backs of the envelopes.

## Spend the Cash monthly in Each Envelope

Once you have placed the assigned cash amount in each, you can start using this budgeting method. Each time that you take cash from the envelope, subtract the amount from your total so if you have €350 to start off with in your groceries envelope and you spend €75 at the super market, subtract the €75 for €350 and write it down on the back of the envelope so you know how much you spent and how much you have remaining. Keeping track is essential to know much you have left to spend in each envelope.

For this budgeting system to work you can only spend the money that you have on hand.

Once that money is gone, you wouldn't be able to spend anything else until the new budget month begins. You could take it from another envelope, but you will be left with a shortfall in another budget category.

Using the envelope budgeting system requires a certain amount of discipline to avoid overspending. You'll also learn your priorities fast: food over entertainment, for example.





## Planning for Christmas Shopping

- Make a Christmas budget plan
- Make a Christmas Shopping List
- Start a savings plan a few months before
- Avoid asking friends or relatives for loans for Christmas shopping
- Shop smartly, look around for offers and cut costs

It is easy to get caught up in the festive feelings, while watching ads on TV and online. Don't get carried away but if you don't want to end up stressed and broke in January take some time now to plan your spending and Christmas budget.

Remember, if you are the person that keeps track of the money in your household, you deserve a Christmas too – make it one that's free of stress and worry about debt.

Stick to the instructions below to have a stress-free Christmas:

## Christmas shopping list

- Make a list of what you need to buy for Christmas. Divide it into:
  - Gifts
  - Food
  - Clothes
  - Socialising
- Prioritise your list. Think of what is the most important for you and what you can afford. If you have a limited amount of money to spend, what could do without and remove from your list? Go through your list carefully, rank your items in order of importance and cross out those which would cause financial strain, or you realise may be unnecessary.
- Add all the costs of the items in your list. If it is too much, go through it and cut by considering each individual item again to see how you can reduce the cost. Shop smart

Fun and money-saving tip: suggest a 'Secret Santa' to family and friends or use your hobbies and interests to make homemade decorations, gifts and baked goods.





## Create your Christmas budget plan

Once you have made a list of everything you want to buy, set a budget for a reasonable amount that you can afford to spend. Remember to consult with your monthly budget to fit this in.

Avoid planning with the hope of a bonus or overtime payment. You can only include income that you are absolutely certain you will get before the Christmas holiday. It would be best to save some money for January too, so you have enough to pay your regular bills in the New Year.

## Start a savings plan

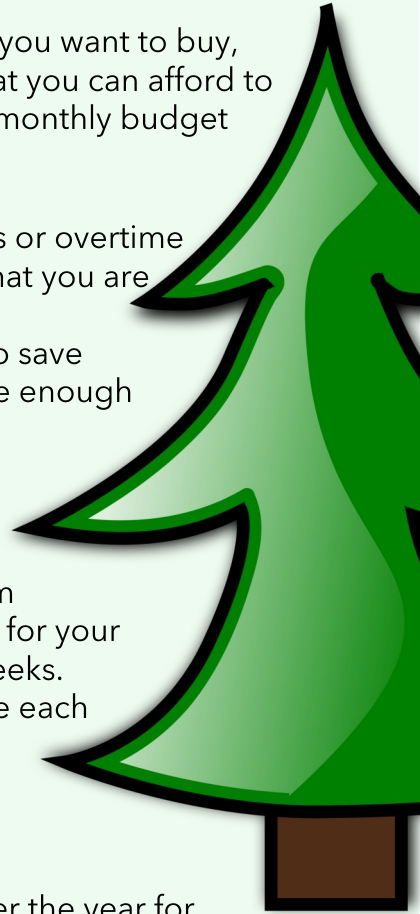
Calculate how many weeks there are from now until Christmas. Divide the total cost for your Christmas spending by the number of weeks. This is what you need to save or put aside each week.

## If you already have Christmas savings

Have you already saved some money over the year for Christmas? Fantastic, you are an excellent money manager! Check to see if it will be enough to cover the costs you planned for or see if you need to save some more until Christmas.

## No Savings Yet?

If you haven't managed to save some money for Christmas or if you checked and saw that what you have set aside is not



enough you will have to cut the money you intend to spend again, until your savings can cover it.

Think carefully: you can be clever while you shop and cut costs. Look at the items on your spending list and research the options. Keep the following tips in mind for shopping smarter:

- Keep to your list and don't be tempted by sales or special offers on other items.
- Black Friday (the last Friday in November) is a popular day for in-store or online sales if the items are needed and within your budget.
- Check delivery times for items bought online and the return or exchange policy.
- Keep all receipts together. You can create a folder in your inbox to save all emailed receipts.
- Pay with cash where possible and avoid putting purchases on credit cards or paying by instalment. They cost you more in the long run.
- Check out the terms and conditions on any items you buy.
- Join Christmas saving clubs or save cash-back vouchers from supermarkets to put towards Christmas food shopping. Use those card points and remember to check your point balance. Some supermarkets will only let you cash your points if you notify them BEFORE they start scanning the items and they will also ask you for identification.
- Remember there is no need to over shop. Buy small amounts of non-perishable items each week to add to the stock of Christmas treats.



# Gemma Budget Plan

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Gemma Budget Plan](#)

