SPENDING PLAN

Language is powerful, so I prefer the naming convention of a spending -or prosperity- plan rather than a budget. I usually encourage individuals who tend to lean towards being spenders and need some guardrails to protect themselves against over-or impulsive- spending to use a spending plan. A spending plan will automatically allow you to allocate funds to ensure you live your best possible life now and in the future. Conversely, a prosperity plan describes how money can flow through your life and will be allocated to grow wealth and prosperity. Prosperity plans typically work well for individuals who are natural savers.

Dr Sarah Newcomb, who wrote, *Loaded, Money, Psychology and how to get ahead without leaving your values behind*, influenced my view of budgeting to a large extent.

It is essential to include income and expenses when drafting a spending plan. Next, we will explore income and expenses and then, in the context of *Conquering the Debt Dragon*, I will expand on how you can include a repayment plan as part of this exercise.

INCOME

It helps to stand back and think about your source of income and how it flows through your life, how you can get the most value from your money, and lastly, how you spend it on yourself now and in the future to live the best possible life. Remember, all funds paid to creditors are to the benefit of creditors.

Then, in most cases, income will be from a source where you get paid for your labour or intellectual capital that adds value to someone else.

At this stage of stabilisation and starting to escape the Debt Dragon's Den for a life of financial freedom, the following questions can be asked:

- What are all sources of income that can be taken into consideration for the spending plan?
- How can alternative sources of income be created?
- What assets can be liquidated wisely that are no longer of use?*

It is essential to remember never to liquidate assets that are a source of income.

Lastly, a higher income usually is not the answer to escaping the Debt Dragon. A more disciplined and frugal lifestyle is a much better way to ensure long-term financial freedom.

EXPENSES

Before drafting a baseline spending plan, it is essential to reflect on where your money flowed over the past three months. However, if you can analyse all expenses for the last twelve months, it is ideal to include them as annual expenses can derail the whole spending plan when not considered. Here, a budget app from your bank or one of the apps that aggregate accounts can be used to get a single view of your detailed expenses.

All the expenses can now be mapped, including the detailed information from your spending tracker, to get an overall view of where money flowed.

You are now in a position to have trade-off discussions. Dr Sarah Newcomb argues that all expenses are needs, (Newcomb, 2016). Expenses address a specific psychological need we have at a point and time. Therefore, it can be helpful for you to evaluate your spending through this lens and say, “What are the different needs I want to satisfy?“, “Do I satisfy them through my spending?“ and “What alternative strategies can I put into place to fulfil these needs?“. For example, when we evaluate a family spending R 2 000 per month on takeaways, we could argue that it creates engagement for them as a family. An alternative could be buying ingredients and starting a family food evening exploring different food cultures. This process cuts the expense line and probably creates a more profound engagement with the family.

You empowered yourself to face the Debt Dragon and see a way you can pay your path out of the Debt Dragon's Den.