

**SANPAOLO UNDERSTANDING PROJECT
FINANCIAL EDUCATION/INFORMATION PROJECT
“BUDGET MODULE”**

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THE FAMILY BUDGET

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We all like spending, buying ourselves a present or go on holiday, buy a durable asset: a car, a home. To do so and not find ourselves in the red, it is important to manage our income and to keep our expenses balanced through family accounting, the family budget.

We are also part of an economic system. Managing a family is like managing a small company. If it works well, at the end of the year our budget will be positive - with a portion of income saved - or it will break even.

How to organise a family budget

Without having a clear idea of income, outgoings and savings, we cannot realistically manage our family budget.

Income is the money that comes into the family: our salary, a regular one if we have fixed employment, or variable if we are self-employed or occasional workers. But we can also have other sources of income: fixed ones, such as, for example, collecting rent, the return on capital, or occasional ones such as a refund, an inheritance, a consultancy.

Outgoings include all our expenses. These can also be fixed and ordinary and therefore predictable and absolutely compulsory, such as bills, insurance, essential maintenance - the annual service for the central heating boiler, car maintenance, etc., or occasional ones such as the purchase of a household appliance, or a special meal on New Year's Eve. Or extraordinary ones, such as a trip, a sudden illness.

If we don't spend everything and income is greater than outgoings, then we can **save**. It is always necessary, for a realistic budget, to regularly save a percentage (5-10%) of income, for any cost increases, for example of energy, and/or unexpected events, such as unplanned maintenance expenses, but also for future projects.

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Golden rules

To organise our budget and manage our income and outgoings in a coherent manner, we have to follow two simple rules:

- 1) *Learn from the past*: that is, make a habit of calculating income and outgoings for the last twelve months (but also monthly or half-yearly), so as to organise a timetable of predictable and periodical outgoings (bills, rent payment, insurance) and other that are predictable but less regular (medical expenses).
- 2) *Planning for the future*: that is, make choices in terms of expenditure that take into account future income and outgoings, so as to ensure savings to manage critical times, reward ourselves with a holiday, invest to meet a need or realise a project, perhaps exactly for economic growth.

Help from the experts

These “responsible habits” are today supported by the possibility of relying on one’s bank, which offers, in addition to the normal home banking services, detailed information supports online on how best to manage our budgets and makes free digital apps available.

Apps take into account income, their possible negative or positive variations, the variation of fixed expenses, the number of people in the family nucleus and the consequent change in consumption, with an immediate and automatic display.

Furthermore, the bank offers the opportunity of direct debit services for fixed expenses such as bills, subscriptions, instalments for consumer credit, mortgages.

Involvement and promotion of responsibility. It is important to involve the entire family in the operation and, in particular, teach our children, little ones or pre-adolescents, autonomy and responsibility by giving them small amounts to look after. If possible, at around 11 years of age, also a

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regular pocket money amount in exchange of small services. When they are older, the pocket money can increase and be paid monthly. It is an excellent way to get them used to manage their own needs themselves and ensure that they learn a correct attitude towards money.

For further information

The correct management of the budget involves the entire society. We have considered families. But enterprises and the State also play their part. Enterprises are required to submit their company budget, while the State's budget is drafted and presented annually by the Finance Minister.

For further information

The estimated budget becomes a final budget at the end of the year.

The estimated budget includes income and expenses that are anticipated over a pre-set period of time.

The final budget refers to the concluded period, and indicates the actual income and the expenses actually incurred in the period in consideration.

This applies to the family budget as it does to the budget for enterprises and for the State.