Financial Tips for Homemakers

The reality is that, whether you go to an office every day or are a homemaker, it's important to have good money management skills in order that you can stretch your budget while saving to meet your many financial goals. There are numerous ways to help save on your monthly expenditures, both big and small, and they all add up to many rupees over any given year. Similarly, there are many basic financial tips that everyone should be familiar with in order to set you and your family up for financial success. I look forward to discussing some of these during today's podcast.

I'm certain that you have all heard this before, but budgeting is key. In fact, there is likely no one in the household who is better equipped to manage the monthly expenses than a homemaker. It's not enough to know how, and where, to get the best household deals. Every homemaker needs to know how much is being spent on groceries, utilities, bill and loan payments, school, insurance, and so much more. By keeping track of every expense in a detailed spreadsheet, it's much easier to see where you might be spending money frivolously and cut back accordingly.

While it definitely requires some effort initially, having a budget will enable you to be more confident and secure in your ability to manage your everyday finances, cope with unexpected costs and plan for the future. Of course, spending money is a necessity. The trick is to spend less than you earn! By tracking your spending on a regular basis, you have an accurate picture of where your money is going – and where you might like it to go instead. Consider budgeting based on what brings you joy and on those expenses that align with your core values.

Remember that there is always room for improvement. As you track, you should also be ready to adjust. If your budget is really unbalanced, you may need to change some of your wants or make trade-offs to keep your budget on track. And, this may seem basic, but always pay your bills on time to avoid late fees, additional interest or a negative impact on your credit score.

I urge all of you to check your account statements on a regular basis. You need to take a regular audit and inventory of your accounts, including your savings, chequing and credit card accounts. This enables you to resolve anything that looks incorrect, detect a potential fraud issue and also keep yourself accountable for your spending.

First and foremost, it's imperative to save a portion of the family's income for future financial needs. And it's equally important that you don't keep those savings hidden under a mattress in your house! At a minimum, you need to deposit your savings so that you earn interest on them. The first and one of the most important savings accounts is an emergency account, which is available in the event of an unplanned emergency or if your spouse loses his/her job, gets sick, or you have an unplanned expense.

By having an emergency savings fund, you hopefully won't have to get a high-interest-rate loan or rack up your credit cards. Ideally, you should have 3-6 months' worth of expenses saved in your emergency fund. Even if you don't have much left after making your budget, always ensure you set aside money for savings and emergencies and for future needs, like retirement.

The recent pandemic was a perfect example of that because many people found themselves suddenly unemployed during the pandemic, either because of the industry they were in or the need to care for children who were suddenly at home, among other reasons. Many of these same people found themselves with insufficient savings in their emergency funds and, sometimes, the need to borrow.

If you follow the popular 50-30-20 budgeting rule, you will spend 50% of the household income on necessities, like rent or your mortgage, transportation, utility bills, etc. Then, you should allocate 30% of your household income for wants, like a vacation, new clothes or a new car, going out for dinner or to a movie, etc.

The last 20% should be allocated to savings, both for the short and long term. This includes saving in an emergency fund as well as saving for other goals like your children's education or retirement, for example. If you can't put 20% aside quite yet, aim to put a minimum of 5% of your income aside in savings.

Another recommendation I have is to always plan for a major purchase, like a tv or a new car. Not only should you budget and save in advance, but always do your research for the most suitable product at the best possible price. Lastly, try to avoid using your credit cards for purchases as much as possible.

I recommend that you use cash instead of credit. As compelling as getting those points or cashback may seem, by using cash instead of credit, it is easier to stick to your budget and avoid overspending. We often start the month with the best of intentions, thinking that we will just put a few things on our credit card, and plan to pay it all back in full at the end of the month.

Unfortunately, unexpected expenses may come up over the month that prevent that, or your spending creeps up before you know it, and you are unable to pay your credit card bill in full. The interest charges on credit card balances are extremely high so it's best if you don't put yourself in the position of not being able to pay your balance in full. When you spend cash, you physically see the money leave your wallet, and this can help you better manage how much you spend.

If you end up in the unenviable position of carrying a costly credit card balance, you will waste a lot of your hard-earned rupees on interest charges and, in the unlikely event that you can't afford your monthly payment, you can also negatively impact your credit score, which isn't good either.

I never really thought about it that way. Given the importance of having an emergency fund and savings put aside, we must also always stay ahead of inflation, and interest rates on savings don't always do so, I know that it's also important to invest so you have sufficient money to meet your medium to long-term goals.

Yes, investing for the future is important for everyone at every age. The only way to achieve your financial and life goals is to grow your money, and the best way to do that is by investing. Investing money is the process of using your money to buy an asset or securities that you think have a good chance of producing an income in the future or which later can be sold at a higher price for a profit.

Investing your money typically requires a longer-term perspective in order to realize the potential benefits. Over the long term, history has always proven that investing in the stock markets is the best way to grow your hard-earned money. A combination of saving and investing gives you the greatest chance of being successful in meeting your personal and financial goals. You should invest some part of your income regularly, and one of the easiest and most convenient ways is through a systematic investment plan, also called a SIP.

A SIP allows you to invest a fixed amount of money on a pre-determined basis. The money, which is withdrawn directly from your bank account, is typically invested in a mutual fund or other investment of your choice at an interval that best suits you, like weekly, monthly or quarterly, for example. SIPs allow you to invest in a disciplined way, and there are numerous other benefits.

Rather than having to write a cheque or remember to move funds around, for example, SIPs provide the convenience of doing this for you automatically upon setting up the SIP with your bank or mutual fund company. The fixed amount of money may vary by bank or mutual fund company but can be as low as Rs. 500. SIPs are also very convenient because you can decrease or increase the amount you invest, as necessary, or even easily stop investing if you want.

As you know, the money you save earns interest, whether it is in savings, equities or mutual funds. When you save, you earn interest on the money you originally saved plus on the interest you've accumulated. You might be wondering why compound interest is so important. It's important because it causes your wealth to grow faster. In fact, according to Albert Einstein, "compound interest is the eighth wonder of the world. He who understands it, earns it..... he who doesn't....pays it".

One of the key success factors of benefiting from compounding is that time matters, and you need to be invested for the longer term. So not only do you benefit from the power of compounding, but you also help reduce your risk by staying invested through multiple market cycles. Basically, the more time you have, the better you can grow your money and the more goals you can fulfil because you always have the benefit of the power of compounding, essentially the act of adding interest on interest, which helps grow your wealth over time.

Quite simply, knowledge is power. So, too, is financial literacy power. Financial literacy is the capacity to comprehend and manage personal finances and is a skill that every woman should have. Financial literacy is the foundation of your relationship with money, and it is a lifelong journey of learning. The earlier you start, the better off you will be. Unfortunately, women in India still often have limited financial knowledge.

There is always something new to learn when it comes to personal finances, and there is no wrong time to improve your financial literacy. The more financially literate you become, the more it can help you take actions that ultimately bring you closer to a state of financial well-being. Indeed, the greater your financial literacy, the better your chance to manage money with greater ease and less stress. You will also potentially be more prepared for when life takes unexpected turns and may be able to more easily identify the financial opportunities that best suit your needs.

Making financial literacy a lifelong pursuit should be a priority as the world of personal finance is ever evolving and staying informed helps keep you on a path to financial well-being. For women, it is even more important to normalize conversations about money and educate ourselves about finance. The sooner you start, the more confident you will become in making your own decisions and managing your own finances. By increasing your financial literacy, you are in a better place to achieve your life and career goals more effectively. There is no better time than the present to enhance your financial literacy!

There will be instances when expenses are higher than your household income. If you have already exhausted some of the basics of budget cutting, like eliminating eating out at restaurants, cutting back on clothing, entertainment, and other discretionary expenses, and reviewing your utility bills to ensure you have the best possible plans, for example, you may wish to consider ways to increase your income instead.

Increasingly, there are part-time jobs available online, freelance or by contract, where you might be able to help contribute to the household income. Or consider turning a hobby into a source of income, if you can. Or, perhaps, by taking a course online and enhancing your skills, you can find a way to translate that into a part-time job. And don't forget that it is never too late to start or learn something new. At the end of the day, any extra income can help you balance your budget and give you more financial flexibility.

Thank you to all our listeners for joining us today! Keep joining us, and we will continue to bring more informative episodes.

Thank you!

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