

# Life Skills for Adulthood: Managing Money

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## Budgeting

A budget is a plan for how you are going to use your money. Budgeting helps us to avoid unplanned debt and sets us up to be financially stable. Budgeting is for everyone, not just those who are struggling. Having a budget puts you in control of your money and helps you to work towards your financial goals.

To set up a budget you need to work out how much you are earning and what your costs are. Consider things like rent, power, internet, groceries, fuel or transport costs, phone credit, therapy, etc. Then order them by priority. Some costs you cannot avoid, such as rent. Other costs such as groceries you may be able to adjust each week depending on how much money you have left over.

Work out how much money you need to set aside for each cost and how much money you will have left over each week or how much you are overspending. It can be helpful to have multiple bank accounts so that you can separate your money and ensure you have enough to cover everything. It is also a good idea to try to put some money in savings regularly if you are able to. Creating a budget can help you to see if you are spending more than you should in some areas, or if you are spending more than you are earning. This can help you to make necessary adjustments early on to avoid significant financial trouble later on.

If you don't have enough money to cover your costs:

- Figure out if there are any areas where you can cut back on spending
- Consider whether you need to get more work
- Consider whether you may need to apply for a benefit through WINZ

## Savings

Everyone has different strategies for saving money, whether they have

- goal or not. Below are some ideas:
- Put money into a savings account that requires you not to touch it in order to earn interest
- Put money into a term deposit where you can't touch it at all for a set period of time
- Put a small amount into savings every week. Maybe \$5
- Have different accounts for different goals and make sure you're putting money aside for these things
- Put cash in envelopes each week and put them somewhere you won't touch them. Make it a game where you pick a random number and that's how much money you have to put aside that week.

## Tax codes

You need a tax code for every income source. You will have your main source of income and then you'll have secondary sources of income. If you are on an income tested benefit, that will be considered your main source of income. Any other income will be taxed with a secondary tax code. If you have a student loan, you will also have 'SL' in your tax code.

You can find out your tax code here: <https://www.ird.govt.nz/income-tax/income-tax-for-individuals/tax-codes-and-tax-rates-for-individuals/tax-codes-for-individuals>

## Tax

If you are employed you will have to pay tax. If you are an employee, your tax will be automatically deducted from your pay.

However, if you are self-employed or a contractor for example, you will need to complete your own taxes and pay ACC levies. You only need to file a tax return once per year and it is due in July.

To file your tax return you will complete a form called an IR3.

<https://www.ird.govt.nz/income-tax/income-tax-for-individuals/what-happens-at-the-end-of-the-tax-year/individual-income-tax-return---ir3>

You can do this online. You may also need to fill out an IR10, which is called a financial statement, to break down your income and expenses.

For more information on ACC levies: <https://www.acc.co.nz/for-business/understanding-levies-if-you-work-or-own-a-business>

## **Provisional tax**

If you have to pay more than \$5000 in tax after filing a tax return, you will be required to pay provisional tax the following year. This means that you will have to pay tax in three instalments during the year. If you miss the deadline for payment on these, you could be charged interest.