

Financial education for young adults

Spending








HSBC

Opening up a world of opportunity

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What is budgeting?

Budgeting is an essential skill for individuals of all ages, including young people who may not have a steady income yet.

By creating a budget, you'll have a clearer picture of your financial situation and how you can allocate your money more effectively.

▶ What is a budget?

A budget is quite simply a spending plan. It's a tool that helps you take control of your money and reach your financial goals.

Having a budget can help stop you 'blind-spending', or being unaware of where your money is going. Whether you want to be prepared for a financial hurdle or you just want to make your money go further, understanding the importance of budgeting is the place to start.

In other words, budgeting is about setting sensible and realistic guidelines for your spending so that you can achieve your goals, whether they are short term or long term.

It's important to be aware that a budget can be flexible, and it shouldn't be something that adds unnecessary stress to your life. If you need to make changes, you can do so at any time to suit you! Think of a budget as a support system, rather than a restraint.



▶ How to budget

There are many tools available for planning and recording a budget. This could be a simple pen and paper, a spreadsheet, or an interactive app that is linked to your bank accounts and tracks your spending for you.

Regardless of which option you choose, you need to look at the big picture. Your budget needs to tell you these things:

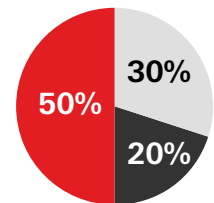
- How much money is coming into your account each month?
- What is left of that once you've paid your essential bills?
- What debts do you have?
- What non-essential purchases are you making?

Once you've worked this out, you can refocus your spending and start that journey to your desired financial destination.

You can also look at some budgeting strategies. These are just guidelines, and you can change them if necessary to meet different needs, such as paying off a debt faster.

Choose your budgeting strategy

The first method is called **the 50-30-20 rule** – 50% of your salary goes towards your needs, 30% towards your wants, and 20% towards savings or paying off debts.



The next strategy is the **envelope method** – this allows you to choose how much you wish to spend on different categories each month. You essentially set a limit for your total spend on things like eating out or shopping, and you can have as many categories as you like.



The third option is **pay yourself first** – most budgets start with a focus on your expenses, but this method reverses that idea. Essentially, pay yourself first means you prioritise your savings for the month, before thinking about your other expenses. On every payday, the first thing you do (after paying your rent and bills) is set aside a certain amount of your salary in a savings account, and then budget with what you have left.



▶ How to cut costs

The areas where it's possible to cut back on spending will differ from person to person. So it's important to set yourself realistic guidelines when budgeting.

There are tools to help you identify where you are overspending, such as the [Budget digital money tool on the HSBC HK Mobile Banking app](#). Or you can just go through your bank statements and identify where your money goes.

Here are some other ways you can try to cut costs:



Workplace benefits

Check your employee benefits and offers, such as medical benefits and staff discount deals.



Housing

Look around and see what rentals are being offered in your building or neighbourhood. Are other areas cheaper and more convenient to live in? Explore the market and negotiate with your landlord, especially when your rental period is over.

If you have a mortgage, shop around to see if you can switch to a better deal. This could keep your repayments low or reduce the amount of time you spend paying the mortgage off.



Shop around for your utilities

Household bills make up a large chunk of our spending. The good news is that it's easy to save hundreds of dollars on your bills.

Asking for a better price is one option, or you can use price-comparison tools to see which provider is offering the best deal.



Manage your loans and credit cards

When paying off debt, it's easy to focus on the lending with the highest balance. But paying off the debt that charges the highest rate of interest first will save you money in the long term.

What is the 50-30-20 budgeting rule?

The 50-30-20 rule is a useful guide to help you manage your spending.

It can help you decide if you're happy with where your money's going and see where you could make some positive changes.

▶ The 50-30-20 rule

The idea is that you aim to spend:



So, if your monthly income was HKD20,000, you might spend:

- HKD10,000 on needs
- HKD6,000 on wants
- HKD4,000 on savings or debts

Remember, everyone's situation is different. If your spending doesn't fit the 50-30-20 rule, that's okay. But, if it's realistic for you, it could give you a positive goal to aim for.

Small changes can make a big difference over time. Putting more of your income into savings or paying off debt can help you feel more in control and get more from your money.

▶ How to apply the rule

Look at your monthly income. This will primarily be your salary if you're working. If your income changes from month to month, work out the average over the last three months.

Then, looking at your bank statements for the last three months, work out your average monthly spending. You can categorise your expenses and see specific areas where you may be overspending.

These categories may include your 'needs', which are regular outgoings like:	Plus your 'wants', such as:	Then note any money you're putting towards:
<ul style="list-style-type: none"> • Bills • Rent or mortgage • Food 	<ul style="list-style-type: none"> • Eating out • Shopping • Subscriptions 	<ul style="list-style-type: none"> • Savings • Repaying debt • Emergency funds

Once you know how much you're spending in each area, you can work out the percentage:

1. Divide the amount you spend on needs each month by your monthly income. For example:
 $\text{HKD}10,000 \div \text{HKD}20,000 = 0.5$
2. Multiply that number by 100. For example: $0.5 \times 100 = 50\%$


Once you've worked out the percentages, look at how they compare. Again, it's okay if your spending doesn't fit the 50-30-20 rule. But if you're looking to save more or repay debts faster, you may be able to make some changes.

If an unexpected expense knocks you off track one month, don't worry. Just try to get back on track the following month. It can be helpful to have a safety net to cover these unexpected costs.

▶ Mobile money management

The HSBC HK Mobile Banking app has a range of tools to help you manage your money.

Explore: [Mobile banking with the HSBC HK app](#)

 [Click here to budget tracker](#)

10 questions before you buy

When we decide we want something, it's hard not to want it straight away.

Try asking yourself these questions before spending your cash on a big purchase to help you decide if it's a 'need' or a 'want'. This could save you a costly mistake.

1 Can I afford it?

It's a simple question, but it's the most important. Think about if you have the cash now, and how it will affect your future budgeting.

2 Are there any extra or hidden costs?

Will there be ongoing costs? Do you need to buy accessories? Knowing this will also help you work out if you can afford it.

3 Have I been thinking about it for a while?

It's best to think these things over, and not rush into any impulsive decisions. Take your time and give yourself a cooling-off period.

4 Do I need it now?

If it can wait, you'll have more time to save up.

5 Do I need to own it?

Consider whether it's something you can borrow from someone instead of buying it yourself.

6 Do I need it new?

If you can buy the same thing second hand, you could pay a much cheaper price.

7 Have I looked at reviews?

Reading the honest opinions of other people will help you decide if it's the right decision for you.

8 Is it the best price?

Shop around to see if it's on sale or cheaper elsewhere, or find out if you can get a discount code.

9 Can I return it if necessary?

Find out if you can return it and get your money back in case it doesn't fit or you regret the purchase.

10 What else could I do with this money?

Consider the many other things you could do with the money. Is there something more in line with your life goals that you could do with the cash?

Spending wisely

It's so important to be in control of your money and your spending.

But it's not as easy as it seems. From hidden costs and sneaky scams to addictive purchases, there are many spending challenges that you should be aware of. Know what to look out for with these five top tips.



In-app adds up

Being able to get free apps or games is great. But be aware they'll often have in-app purchases where you have to pay to access new features or to progress through a game.

While it might just be HKD10 here, or HKD10 there, these small costs can soon add up.



Tip: Know what you're downloading and stay on top of the extras.



Remind yourself to unsubscribe

With some subscription services, you can sign up for a free trial. But as soon as that trial comes to an end, you'll start to be charged.

If you don't want to pay for a service, whether that's a TV or music streaming subscription, remember to make a note of the trial end date and cancel it in time.



Tip: Set reminders to cancel free trials before payments kick in.



Don't be catfished

Scams on social media are on the rise. From fake modelling agencies to new business ventures that promise to turn you into an entrepreneur with tons of cash... scammers may contact you with promises of fame and fortune.

Just remember, if something sounds too good to be true, it probably is.



Tip: Always do your research. Check out a company before you hand over any money.



All bets are off

According to a survey by the University of Hong Kong (HKU), about 15% of Hong Kong secondary school students participated in gambling activities in 2021¹. Gambling might seem like just a bit of fun, but it needs to be taken seriously – because it's so addictive, it can massively impact your finances, mental health and relationships.

Casinos, lotteries, betting... make sure you know what you're getting yourself into when you spend your money on gambling.



Basic budgeting always helps

The easiest way to stay in control of your money is to budget. There are so many free websites, apps and tools out there to help you budget. You can use these to keep a close eye on what you're spending and when.

¹ <https://www.info.gov.hk/gia/general/202212/30/P2022123000211.htm?fontSize=1>

Budget tracker



Making the most of your money

A crucial part of staying financially fit is being able to set a budget and stick to it, so that you have enough money to get you through each month without overspending.

Use the table below to outline your income and outgoings. Write in what you expect to be paying and see if the actual amount matches. Then you'll be able to adjust your budget in future to help you make the most out of your money.



Income

Jobs, online business etc.

Description	Expected	Actual	Date paid in



Outgoings

Essential (**needs**) (Food, travel, rent / mortgage etc ...)

Top tip: For some bills, if you pay them annually rather than monthly, you might save yourself some money.

Description	Expected	Actual	Date of direct debit	Auto renew? <small>Do you have to renew the Direct Debit or is it automatic?</small>



Outgoings

Non-essential (**wants**) (Clothes, takeaways, gym etc ...)

Description	Expected	Actual	Date of direct debit	Auto renew? <small>Do you have to renew the Direct Debit or is it automatic?</small>



Total

Income ▶
Outgoings ▶

Expected	Actual	Difference

Income - Outgoings = Total savings