

## Creating Your Budget

If you finished the previous exercise, you have a picture of where your money goes and you've identified the majority of your expenses. It's time to dive into a spending plan you can use going forward. It may be helpful to specify a short list of reasonable goals (such as paying off one credit card or saving for a major car repair) and focus on just one for now. **5 TIPS:**

**1. DEDICATE** a notebook for your budget, with room for planning upcoming expenses such as car repairs, home repairs and health care costs, or use a ledger designed for budgeting.



**2. LIST** all of your expenses again. Include as many specific flexible and discretionary expenses as you can think of. Record cash purchases.

**3. ALLOCATE** amounts to all your fixed expenses first.

**4. CHOOSE** your first goal and how much money it will take to meet that goal.

**5. ANALYZE** your flexible and discretionary spending and adjust with your first goal in mind.

**Remember:** You can revisit your spending plan as often as necessary to make it more workable. After all, your needs can change quickly. What's important is that you operate in the black.

### Overcome the Hurdles

- 1. Shape up your attitude.** Think of the reward—scrapping debt, building a financial safety net, funding retirement, saving for a vacation or just peace of mind.
- 2. Keep your budget realistic.** Budgets based on lofty goals, or disagreement and resentment from a spouse, run greater risk of failing. Find common ground if this is a joint effort. In any case, build on small successes and stay the course.
- 3. Spend less than you earn.** It's the single best strategy for gaining financial ground and for meeting your changing needs—today and in the future.

## More Budgeting Tips

**Try cash only.** Does spending with credit cards simply feel different than spending with cash? Some say there's an emotional void with charging that saves the sting of parting with precious cash. Stick with cash and spend less.

**Keep looking for ways to reduce spending.** Choose a period of time to wait (say one month) before tackling an area of your spending; then move on to another. Apply any extra savings toward debt, your emergency fund, retirement or another established goal. You might be surprised to discover what you can live without.

**Add up your habits.** Daily coffee from the coffee shop, trips to the snack machine, and unhealthy habits such as smoking and drinking really add up. Rely on coffee from home and prepared snacks from your own pantry, and work on giving up the bad stuff (your body will thank you for that).

**Gotta have it?** You've tightened your financial belt a little, but you still need or want something that you feel you can't live without right now. A few discretionary dollars can go a long way if you carefully shop yard or estate sales for what you want. And hold out until you find the best price.

**Stay organized.** It's easy to get off track when organization falls by the wayside. Keep receipts and other important papers in a convenient place. An accordion file can hold most items, or save a few bucks and use an old shoebox.

**Final thought:** Take it one day at a time. Changing your spending habits is as big a step as any other healthy lifestyle change. It will take time to get used to it. Aim for small, gradual changes and keep working at it.

### Keep your goals in view.

The refrigerator is a great place for important messages. Keeping a list of your goals in view all the time can boost motivation when you need it.



# HOW TO LIVE ON A BUDGET

## Overcoming the Hurdles





## MAKING ENDS MEET

A lot of people spend more money than they earn, accumulating debt and adding a financial burden that stresses their health and relationships. At the same time, the lure of easy credit purchases may make it harder to wait and save for what's wanted or needed. If getting ahead seems out of reach for you, try living on a budget.

## 5 Reasons to Budget

- CONTROL.** You take power over your money and how it works for you. Your money does not control you.
- OPPORTUNITY.** Living on a budget presents the opportunity to focus on current and future goals.
- EMERGENCIES.** A budget helps you prepare for unexpected expenses.
- DEBT.** A reasonable, realistic spending plan helps you keep debt down and pay it off.
- STRESS RELIEF.** Managing your money better can ease worries and improve relationships, which helps your overall health and well-being.

But living on a budget is easier said than done, right? Yet most financial experts would agree that a budget is critical to sound money management and stronger financial muscle.

Have you considered that successful budgeting is more about self-control than income? This brochure presents some tips you can use today to help you develop a workable budget, no matter what your income. Let's get started.

## STEP 1: Get Into the Right Mind-set

Can you imagine a successful corporation not following a budget or balancing the books? Money going out must balance money coming in, and every dollar must be accounted for. Try to think of managing your personal finances as if you're running a successful business.

## STEP 2: Pull the Numbers Together

Collect the paperwork related to your monthly expenses. You will need bank statements, checkbook registers, paycheck stubs, credit card statements, recurring bill statements (utilities, cable, phone, etc.) and all loan account information.

## STEP 3: Exercise Time: Put your expenses into perspective

First stand up, take a deep breath, reach your arms toward the ceiling, exhale ... then sit down and get your pencil. To figure out where to go from here, you need to see where you've been. Consider the following to get an overall picture of where your money goes.

Start with <b>INCOME.</b>	
Write down your <b>monthly net income</b> (that's your take-home pay after taxes and other deductions such as insurance, 401(k), etc.) ▶	_____
<b>Add miscellaneous income</b> (dividends, interest payments, spousal support) ▶	_____
<b>TOTAL INCOME</b> ▶	<input type="text"/>
Now add up your typical monthly <b>TOTAL EXPENSES.</b>	
<b>Fixed Expenses:</b> <b>House</b> (rent or mortgage, including taxes and insurance) ▶	_____
<b>Auto payments</b> ▶	_____
<b>Credit cards</b> ▶	_____
<b>Personal loans</b> ▶	_____
<b>Student loans</b> ▶	_____
<b>Alimony/child support</b> ▶	_____
<b>Flexible Expenses:</b> <b>Utilities</b> (home phone, cell phone, power, water, natural gas) ▶	_____
<b>Misc. 1</b> (groceries, gas, dry cleaning) ▶	_____
<b>Discretionary Expenses:</b> <b>Misc. 2</b> (entertainment, cable, coffee shop, etc.) ▶	_____
<b>(Tip:</b> The best way to get an accurate estimate of your total expenses is to write down all of your transactions in a spending diary for at least one month. In the meantime, this exercise can provide a basic snapshot of your situation.)	
<b>TOTAL EXPENSES</b> ▶	<input type="text"/>
What's your <b>BOTTOM LINE?</b> Subtract your expenses from your income. Are you in the red, with a negative balance? Or are you in the black, with money to spare?	
<b>THE BOTTOM LINE</b> ▶	<input type="text"/>

Ideally, if you're not already contributing to savings, an emergency fund and a retirement fund, then you should have money left over for one or all of the three when possible. Now you can work on your budget. Read on.



## The Bottom Line

If you're operating in the red, consider cutting discretionary expenses immediately to live within your means. And avoid taking on new debt.

If you're just shy of balancing your income with your expenses, a minor adjustment here or there can make the difference.