

Budgeting

Three steps to financial freedom

Are you always running out of money by the end of the month? Do you find yourself charging up to your limit on your credit card? It's easy to save too little and spend too much.

Try budgeting for financial freedom! Commit yourself to a realistic budget and soon you'll know where the money goes and how to free up your finances for the things you really need. Here are three steps to make your budget fun and easy to understand:

Step 1 - Create a spending diary.

Whether you use paper or software, it's essential to track your spending habits. From auto repairs to movie tickets, you need to record where every dollar goes to make your budget work.

- Carry a notepad or PDA to record the date, the item, and the amount that you purchase on the road, at the office, or any place away from home. That includes gifts, clothes, green fees, raffle tickets, coffee, car washes, pet food, and so on.
- List all of your fixed monthly payments such as the mortgage or rent, car payments, insurance, and cable TV bill.
- Estimate your monthly costs of items that vary from month to month such as gasoline, heating bills, groceries, and credit cards.

Step 2 - Evaluate your spending habits.

Once you've created your lists, evaluate your spending habits. Look for areas where you're doing well -- and areas where you need to make a change.

Here are some suggested guidelines for making your budget work for you. Your basic expenses will gobble up half your take-home pay, while other expenses will consume everything else:

Basic expenses – 50% of take home pay	Other living expenses – 50% of take home pay
Savings: 10% or more Housing: 25% or less Other monthly payments, including loans, credit cards, etc.: 15% or less	Food Transportation Health Care Utilities Insurance Education Clothing Charitable giving Travel and entertainment Property and other taxes Personal care

Step 3 - Plan your budget

It's time to plan your budget. Your budget can be an encouragement to you to control your spending and actually SAVE MONEY each month! The following chart illustrates how a budget can help. List your expenses, with an estimated monthly payment and the actual amount you paid. Any time you spend less, you have "Dollars saved!" for the month:

Item	Balance Status	Estimated Monthly Payment	Due Date	Date Paid	Amount Paid	Dollars Saved!
Savings		\$100		6/8	\$100	
Mortgage	\$25,963	\$1,100	15 th	6/8	\$1000	0
Utilities		\$55	15 th	6/8	\$47	\$8
Transportation		\$45			\$43	\$2
Groceries		\$400		6/6, 6/17	\$384	\$16
Car Payment	\$10,000	\$300	1 st	6/20	\$300	0
Credit Card Payment	\$567	\$600	1 st	6/20	\$567	0
Cable TV		\$55	15th	6/8	\$30 (switched to basic)	\$25
TOTAL SAVED	\$51					

Do you find that you are spending more than you thought? Or is your "Dollars saved" column filled with good news?

(Speaking of which, it's a good idea to put those "Dollars saved" into a separate savings account where you won't be tempted to tap it for impulse buys. This also ensures that you'll have money available for unexpected expenses such as car repairs or an emergency trip to the dentist.)

Tips for successful budgeting

- Be realistic. Don't set goals that you know you'll never reach.
- Create a budget and stick to it.
- Distinguish between wants and needs. Do you want a new car or need a new washing machine?
- Record your monthly expenses. Balance your checkbook and write down every transaction, including Check Card debits and visits to the ATM.
- Limit your debt. Pay your credit card balances off on time each month. By paying on time, you'll avoid a late fee. Carry only one major credit card to eliminate the temptation to use another card. Better yet, go shopping with cash only.
- Shop wisely. Review Consumer Reports and other publications to avoid making large purchases that are known for needing repairs.
- Save for infrequent expenses such as birthday presents or car tabs. Set up additional savings accounts if you know these expenses are coming.
- Save money each month and contribute to your retirement.

You can attempt to budget 10% or more of your take-home pay each month for savings, but if you don't pay that savings first, there probably won't be anything left over at the end of the month.

More tips to cut spending

- Take only the cash you think you'll need at the store and leave your credit cards and checkbook at home. This will reduce the temptation to spend just a little more.
- Plan your meals ahead of time so you're not grocery shopping every day. The fewer times you visit the store, the less you'll spend. While you're there, buy store brand products rather than brand names. Most store brands taste just as good but at half the price!
- Be a comparison shopper by watching the advertisements. Prices can vary day to day on everything from food to gasoline.
- Don't forget to carry your notebook or PDA to record all your purchases. Once you begin to see where your money goes each month, it's much easier to change spending habits.

Monthly Budget Worksheet

MONTHLY INCOME	MONTHLY INCOME
Income 1	
Other Income	
TOTAL INCOME	

BALANCE	BALANCE
TOTAL INCOME	
- TOTAL COST	
BALANCE	

HOUSING	COST
Rent	
Phone	
Electricity	
Gas	
Water/Sewer	
Cable	
Waste Removal	
Maintenance	
Supplies	
Other	
SUBTOTAL	

FOOD	COST
Groceries	
Dining Out	
Other	
SUBTOTAL	

LOANS	COST
Student	
Credit Card	
Other	
SUBTOTAL	

TRANSPORTATION	COST
Vehicle Payment	
Bus/Taxi/Train	
Insurance	
Licensing	
Fuel	
Maintenance	
Other	
SUBTOTAL	

PERSONAL CARE	COST
Medical	
Personal Grooming	
Clothing/Dry Cleaning	
Health Club	
Organization Dues	
Other	
Other	
SUBTOTAL	

INSURANCE	COST
Home	
Health	
Life	
Other	
SUBTOTAL	

ENTERTAINMENT	COST
Video/DVD	
Music	
Movies	
Sports	
Other	
Other	
Other	
Other	
SUBTOTAL	

TAXES	COST
Federal	
Other	
SUBTOTAL	

PETS	COST
Food	
Medical	
Grooming	
Toys	
Other	
SUBTOTAL	

SAVINGS/INVESTMENT	COST
Retirement Account	
Investment Account	
Savings Account	
Other	
SUBTOTAL	

TOTAL COST	
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