

BUDGETING & BUDGETS

Advantage to a budget:

- To keep track of where your money goes
- To plan your spending in advance
- To keep within your credit limits
- Achieve financial goals
- Debt reduction

If completed properly a budget will allow a person to meet their expenses, place money into savings, and pay back outstanding debt. Looking at these advantages, it is in your best interest to create, and put into practice, a personal budget.

CREATING A BUDGET

1. Create a list of all your monthly income. It is important to list all sources including side jobs, alimony, child support, etc. This figure will set the cap on your total budget.
2. Create a list of all your monthly expenses. Be sure to include such expenses as: housing, food, transportation, utilities, entertainment, etc. It is wise to track your spending for a full month during this stage of budgetary planning. Save your receipts and each evening write down your expenses for the day. This is the best way to see what your actual expenses are.
3. Decide if your income covers all of your current expenses. If the answer is NO, then expenses need to be cut.
4. Fine-tune expenses. This can be done in a number of ways. Depending on the amount of the shortfall, it may be a simple matter of dropping some optional spending, such as entertainment, or food (i.e. the number of times you eat out in a given month). If the deficit is larger, it may be a matter of downsizing your vehicle or your living arrangements. If your income covers all of your expenses then this is still a good opportunity to trim some of the fat off of your spending habits.
5. Add new categories if necessary. Three areas are often overlooked they are:
 - Debt reduction
 - Retirement savings
 - Emergency savings (ensures there is money to cover an unforeseen event [car breaking down] should it arise. This will prevent the use of credit which can quickly break a personal budget.