

Personal Budgeting Tips



What is a Budget?

A budget is nothing more than a breakdown and plan of how much money you have coming in and where it goes. Could you imagine a business becoming successful if it didn't keep track of its income and expenses? The same holds true when it comes to your personal finances. If you don't know how much money you have coming in and where it goes, your road to financial success will be a difficult one.

The biggest fear that most people have when creating a budget is that they will need to suddenly cut back on all of the fun spending -- things like the occasional coffee or dinner out, movie night, or even the trip to grandma's for the holidays. While you may find that you do need to cut some spending after putting together a budget, without actually sitting down and creating one, it is impossible to know what expenses need to be cut, if any.

Reasons why budgeting often fails:

1. Failure to prioritize expenses.
2. Failure to budget practically for normal out-of-pocket expenses like groceries and gas.
3. Failure to plan for the unexpected.
4. Failure to include quarterly or annual expenses.
5. Spending more money than you pocket.

- **Listing Expenses**

Start personal budgeting by first listing and then prioritizing your expenses. Although most expenses are monthly or weekly, some expenses are annual, semi-annual, quarterly, or just plain unexpected. In addition, some expenses are discretionary.

The Unexpected	Home repair & maintenance
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	<p>Medical bills(Doctor, Dental, Eye care, Chiropractic, Prescription Drugs)</p> <p>Vehicle repair & maintenance</p>
<p>Annual, semi-annual, Quarterly</p>	<p>Homeowners' Association fees</p> <p>License renewals (drives, vehicles)</p> <p>Professional fees (accountants, attorneys, tax preparation)</p> <p>Property taxes</p> <p>Insurances (life, home, health, auto)</p> <p>Water bills</p>
<p>Monthly</p>	<p>Child support payments</p> <p>Credit card payments</p> <p>Household rent or mortgage payments</p> <p>Internet Connection</p> <p>Telephone</p> <p>Television Cable/satellite connections</p> <p>Utilities (heat and electric)</p> <p>Vehicle leases or payments</p>
<p>Weekly</p>	<p>Child Day Care</p> <p>Groceries</p> <p>Personal Care (clothing, bath & beauty, toiletries)</p> <p>Transportation (bus, gasoline,)</p> <p>Savings</p>
<p>Discretionary expenses</p>	<p>Books, magazines, entertainment, impulse purchases, snacks, dining, vacation & travel, membership fees...</p>

Prioritizing Expenses:

- Top priorities on any expense list are food and shelter. Shelter includes your rent or mortgage payment, real estate taxes, and any home association.
- Next in line are essential utilities like heat, electricity, and water service.
- Car loans or lease payments and car licensing fees are essential to your budget if your vehicle is essential to your job.
- Home insurance (if not a part of your mortgage payment), or renter's property insurance, vehicle insurances, and medical insurances should also hold a place on your list of priorities.

- Along with discretionary expenses, low priority expenses include unsecured loans, and credit card payments. Make sure your personal budget takes care of essential expenses and then consider the rest.

Making Your Personal Budget Work for You:

When you begin personal budgeting, it's not uncommon to find your expenses total more than your income. Always take care of top priorities first. Then work on making practical decisions for the rest of your expenses.

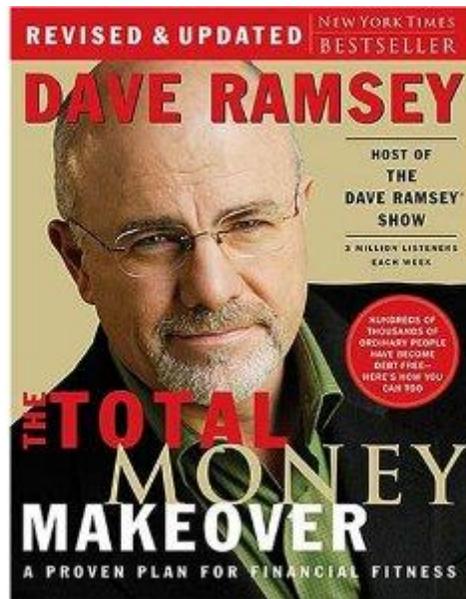
- If you don't have enough money to take care of the priorities, you will need to find a way to generate more cash.
- If an expense isn't a priority, roll it into next month's budget. However, if you can't pay a bill or meet a minimum payment, do contact your creditor and let them know. Tell your creditor when you will be able to pay the bill, they'll usually be willing to work with you.
- Look over discretionary expenses and see what you realistically are willing to sacrifice to make your budget balance.
- Can you cut down on groceries and personal care items? When shaving dollars from these expenses, consider purchasing generic items and store brands for a few weeks (or months) until your budget is under control.
- Could you carpool or take alternate transportation for a couple of weeks to save on vehicle expense?

Other Helpful tips:

Use Cash

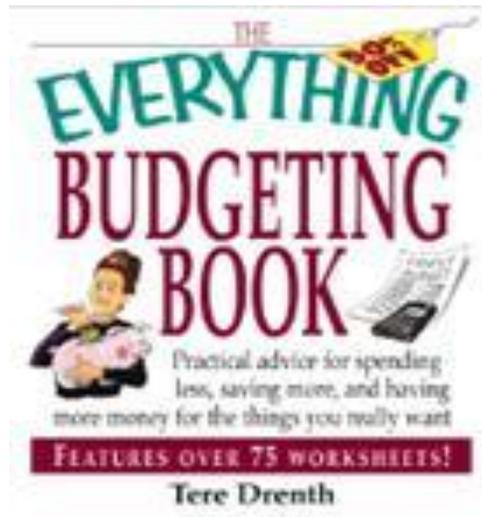
- Use a debit Card
- Use envelopes to organize money...put all your food money in an envelope and label it, bill money in another, and so on.





The Total Money Makeover

By Dave Ramsey



The Everything Budgeting Book

By Tere Drenth