

# Budgeting:

## The First Step to Financial Satisfaction

No matter your income, creating a household budget is the first and most important step towards putting your money to work for you. Budgeting helps you control your finances in order to have the things that bring you satisfaction and enjoyment. Without a budget, you may be destined to live paycheck to paycheck.

A key factor in creating and maintaining a household budget is communication. It is easier to stick to a budget when both spouses share in making financial decisions and openly communicate with the children about their financial situation. Generally, the more open the communication about finances, the better the quality of the financial decisions.

Set goals for your budget. Whether you are saving for a down payment on a house, a trip around the world, retirement or a college education, plan to include savings in your monthly budget. Write down your goals, then estimate how much the goal will cost. Decide, realistically, when you want to achieve your goal. Estimate how much



money you will need to set aside each year or each month to reach your goal.

Keep your budget simple. It's not necessary to budget to the penny. Be realistic and consider all expenses, including groceries, utilities, spending money, family allowances and entertainment. Distinguish between wants and needs. Buy what you need first then put the wants in a "leftover" category. Make a list of everything you spend money on for the first month or so. This will give you an idea of how much you spend on needs and how much you spend on wants.

Is there somewhere you can cut back on your spending? Do you need to eat at the most expensive restaurants? Must you keep the air conditioner on 65 during the height of the summer? Do you need so many cable TV

channels? Once you are aware of areas that you might overindulge, it's time to create an actual budget. Ideally, you want to have a surplus budget.

Add together all sources of income. If you don't have a regular income, you may find it beneficial to conservatively estimate your income and overestimate your expenses. Estimate your expenses by including fixed expenses, such as rent or mortgage, utilities and installment loans. Include a set amount for savings and goals. Try creating a category for emergencies, such as replacing a washing machine or insurance deductibles. You'll also need to include your flexible expenses such as food, clothing, medical care and entertainment.

Subtract your expenses from your expected income. If you have extra money beyond living expenses, consider putting it in a surplus savings account. Use this surplus savings for "extras" such as vacations, new appliances or special investments. By using your surplus savings for special purchases, you'll find it easier to budget within your limits.

*If you have a surplus after subtracting your expenses from your income, try adding to your savings. If you have a deficit, try to determine areas that may be trimmed from your expenses.*

Sticking to your budget can be difficult, but it will pay off. Keep records and totals of actual spending and compare them with your budget plan. By totaling your expenses, you'll discover weaknesses. For example, 50¢ may not sound like much for a snack. But, if you purchase one snack per day, it would total more than \$10 in a month.

Impulse buying can limit your odds of keeping within your budget. If you have a weakness for impulse buying, set a game rule that you have to comparison shop for everything. If you see something you want, try waiting until you have a chance to find out if it's less expensive somewhere else. You may end up with a lower price, or by waiting, you may realize you really didn't want the item anyway.

Your financial goals are within reach if you are willing to dedicate to regular savings and maintain your budget. There's a basic sample budget worksheet on page 12 to get you on your way to planning your way to financial satisfaction.