

Budgeting for Financial Success

Without a plan for financial success, it is difficult to know which decisions are the right ones to make. Creating and sticking to a budget provides you a clearer financial picture and gives you a better sense of control over your money.

To create a budget that works, follow one simple rule: Don't spend more than you earn. Some kinds of debt, such as a home mortgage loan, are unavoidable. These debts are managed through monthly payments over a set period. What you want to avoid is the kind of debt that keeps you from realizing your long-term financial dreams. For that you need a budget.

Getting Started

To get started on your budget, you will need your pay slips, bank and investment statements, bills and credit card statements, receipts, paper and a pen. Begin by estimating monthly income and expenses to get an accurate sense of how much you are earning and how much you are spending. Here are the steps involved:

- Estimate your take-home pay by looking at the net (after-tax) amount on your pay slips. Bank statements may also be useful to measure such non-wage income as interest, dividends, etc.
- Calculate your expenditures. Include all your typical expenses, such as mortgage payments, car loans, transportation costs, utilities, child and elderly care, food and clothing, education, medical bills, car repairs, retirement savings, religious contributions, entertainment purchases and miscellaneous expenses.
- Subtract all expenditures from revenues. If you have a surplus, aim to save as much of it as possible. If you have a deficit, you need to cut expenditures. Experts recommend setting a goal of saving at least 10 percent of your earnings and having at least three months' income set aside for emergencies.

Tips for Living Within Your Budget

- Focus on savings versus spending. Rethink your priorities.
- Evaluate your expenditures by listing them in order of priority and determine which purchases can be eliminated or reduced. Rethink big-ticket items unless you are absolutely sure they are necessary.
- Document every transaction. Create a system to file and organize your revenues and expenditures. File all receipts and bills as you process them and keep your financial records up to date.
- Computerize your efforts. Consider buying a financial management program to help you balance your accounts.
- Monitor your budget on a monthly or weekly basis to ensure you are on track and to keep you motivated.
- Pay off your credit card balance each month. When using credit cards, make an entry in your financial records for each individual charge the day the charge is made. This will prevent charge card bills from catching you without adequate cash in your bank account to cover them.
- Confide in your partner, and have your partner follow these procedures as well. Once you have created a budget to properly deal with your financial situation, you will enjoy greater peace of mind knowing exactly how you have spent your money.



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