

DOLLARS & SENSE

EDITION 10, VOLUME 11



Creating a Household Budget

Many people associate budgeting with the act of cutting back on spending. While this is certainly one aspect of budgeting it is not budgeting in its entire sense.

Budgeting is primarily about keeping your income and expenditures organized to ensure that you are spending within your means. Many people may shy away from creating a household budget because they consider the task complex, but this is not necessarily true. Here are six easy tips to keep things simple and help you get on a path to creating your household budget.

1. Keep it simple.

The biggest mistake people make when starting their budget is that they do not keep it simple. The task becomes burdensome and overwhelming, and they quit. Start your budget with broad categories. Do not get bogged down in the details. Once your broad categories are mapped out, break each of those categories down. For example, you may first create the broad category of “Entertainment” and

assign a dollar value to it. When you come back to break it down, you may include “Eating out” and “Family Recreation”. Take the dollar value amount you allotted to entertainment, and divvy it up among the subcategories in a way that makes sense for your family. Some common examples of large household budget categories are:

- Mortgage or Rent
- Vehicle or Public Transportation
- Utilities
- Groceries
- Education
- Credit Cards
- Entertainment or Extracurricular Activities
- Emergency Savings
- Retirement Savings

2. Keep it realistic.

While you may have dreams of saving money by growing and raising all

of your food but you currently eat out twice a week because you’re a busy family. You need to budget money for eating out because that is your current situation. You should create your budget for your current habits to make it realistic and practical. This does not mean you cannot improve your habits or lifestyle, but new habits take time. If you have incorporated new habits over the year, it’s a good idea to adjust your budget during your annual budget review the following year.

3. Budget an emergency fund.

No matter how well you plan your budget or curb your shopping habits, there will always be something that happens that has not been put into your budget. These unplanned occurrences can be anything from a medical emergency to a car repair that is needed. Rather than waiting for this to happen and blowing your budget when it does, a better solution is to build an emergency fund into your budget right from the start. When you do that, you can easily cover any unforeseen expenses easily without destroying your budget. Be sure only to tap into this emergency fund when it is a real emergency. It should not be used to expand funds in another category.

4. Track your income and spending.

Obviously when adhering to a budget, it is essential to keep track of what you have coming in and what you’re spending. Otherwise, how will you know if you’re on track? There is no right or wrong way to track your spending. You can use anything from a pen and paper

(Continued on page 4)

Living Within Your Means

We have all heard the term “living within your means” but do most of us truly understand it? And if we do, do we practice it? In an alarming number of cases, the answer is no.

Too often in this age of credit cards and easy loans, we are spending more than we are saving and going deeper into debt as a result. Instant gratification abounds with online loans immediately available at the slightest financial discomfort. This type of environment makes it difficult for those without an immense amount of willpower to put a reasonable limit on spending and to live within their means.

Cutting expenses and making sacrifices is not an easy task, especially when you feel that your expenses are necessary. You work hard for your money, and certainly you deserve to indulge every now and again, but what happens when your small luxuries add

up to big money? That daily \$4 coffee could be costing you over \$100 a month! So does striving to live within your means mean that you can no longer enjoy life? Does it mean that you have to scrimp and save and live like a hermit? Absolutely not!

The challenge, indeed sometimes the thrill, to living within your means and keeping your quality of life is to find cheaper and more imaginative alternatives that save you money while keeping maximum enjoyment.

For example, you may not want to give up the cable to save money, but that does not mean you wouldn't find just as much enjoyment with a smaller package. Perhaps you want to keep your package, that fact doesn't stop you from calling your cable company and their competitors to negotiate a better deal.

Here are some additional tips and tricks that can help you painlessly save money and begin to live within your means.

1. Review your reoccurring expenses.

Significant portions of your monthly expenses are likely reoccurring expenses that you rarely take the time to look over. These are the expenditures in which you have agreed upon a price and then are lulled into a sense of complacency and pay it again, and again and again, every single month. This could be an Internet bill, a phone bill, a cable bill or even a gym membership. Start taking the time to review these reoccurring expenses and challenge them by renegotiating their prices or considering alternative options (such as a competitor with a better price).

2. Find the best price.

Never settle for shelf price. You may be tempted to simply buy that item because it is immediately available but resist the urge. With the Internet at hand, comparing prices is so easy that you have no excuse. Take your Internet search a step further and look for coupons both for the particular store (online or brick and mortar) and for the manufacturer of the item. If you decide that you don't want to wait or that you don't want to shop around, do a quick search on your smartphone for any coupons that might be available. Coupons can be scanned at the cash register directly from your phone, no printing necessary! Searching for the best price doesn't stop at department store purchases. The same should be done for repairs or service providers. You may need to pick up a phone and call around to find the best price, but putting in a little work will save you money. Consider this example. Rather than purchasing both the parts and labor from a car repair shop, buy the part yourself so you can shop around for the best price. This way you only pay top dollar for the labor.

(Continued on page 4)

Building your Emergency Fund

It's recommended that you have a 3-6 month emergency fund set aside in case of job loss or illness. If you are just getting started, putting aside that much can be daunting. Here are some ideas to get you started:

Save your income tax refund—use the extra money from your tax return to get you a great start on your savings.

Cut back on movie trips and other entertainment—look for free concerts and community events to attend, or sign up for online movie subscription sites to cut costs.

Set weekly and monthly goals—saving even \$20 a week can make a real difference over a year.

Budget now to cut holiday spending—think about hosting holiday events at your home rather than traveling to save travel costs. Draw names or set a limit on gifts to reduce the number of gifts you'll need this season.

Cut down on groceries—a few times a week plan simple meals like pancakes, or soup and sandwiches to add to your savings.

Maintain Your Budget With Budget Reviews

While it is common for households to make a budget, it is quite another story when it comes to adhering to it and maintaining it. For a household budget to be effective, you must keep it updated. Think of your budget as a living document; one that must grow, shrink, evolve and adapt according to your family situation. Elements such as family size, employment, housing and spending habits will affect your budget and how well suited it is for your families lifestyle.

The best way to keep your budget relevant and effective is to perform a budget review. A review will let you know if you're on target or overspending in some areas and where you need to beef up or cut back in others. Some people prefer to do them annually while other people swear by quarterly budget reviews. However often you choose to do it, make sure you do it consistently. Here are some helpful tips when performing your annual, semi-annual or quarterly budget review.

Do your review on the same date(s) every year.

Keeping your review on the same date or dates every year will help you create a habit that will bring about a sense of ease as time goes on. Planning your review around important days or holidays (such as Christmas, tax time or even your birthday) will help to reinforce your memory of those dates. Once your review dates become part of your routine, you will no longer stress about the upcoming date.

Include your family in the budget review.

It is vital that you include your family and most assuredly your partner in the budgeting and review. Everybody must be aware of what the household budgeting goals are and have the presence of mind of where spending needs to be limited. Keeping every-

body involved means that everybody is helping to make, revise and utilize the household budget.

Review your income and expenditures.

Are you bringing in more or less income? During your review, adjust your budget accordingly. Preferably if you are bringing in additional income, you will be putting additional money into savings. If you are bringing in less income, discuss where you can cut back. Perhaps you can purchase the smaller cable package or eliminate it all together. Have your debts or expenditures increased or decreased? If debts have increased, discuss restructuring your budget to pay off small debts quickly. If your expenditures have increased, consider if those expenditures are necessities and figure out what you may be able to eliminate or decrease.

Double your benefits with a brief insurance review.

You may be wondering how insurance coverage is even remotely related to a budget review. The premise is really very simple. You see, being over-insured will create an unnecessary expenditure every month and being under-insured will cost you big money, that you likely don't have, if disaster strikes. Quickly assessing any changes in your circumstances and reviewing your amount of coverage will take a little time and potentially save you a lot of money. Determine if any pertinent life circumstances have changed. Is your family larger or has your occupation changed?

You may want to reassess your life insurance coverage. Have you renovated your house, or has the housing market changed? Take a fresh look at your coverage and make sure that you are adequately insured to replace everything in case of a total loss. Another

thing to consider is disaster-related coverage. Are you covered in case of fire, flood or earthquake? Should you be? Staying adequately protected will help you stay on a budget even when the worst happens.

Keep your goals in mind.

When creating a budget, more often than not there is a goal in mind. Perhaps your goal is to beef up your retirement fund or to create a substantial emergency fund. Maybe you are saving for a down payment on a home or trying to dig out of debt to become debt

The best way to keep your budget relevant and effective is to perform a budget review. A review will let you know if you're on target or overspending in some areas and where you need to beef up or cut back in others.

free. Whatever your goal is, a budget review is a perfect time to assess if your budget is helping you move towards your goals. If it is not, make the proper adjustments necessary to put you on the right path.

Your family's financial state and goals will regularly shift, and your budgeting target will change from time to time. This is the reason that a budget review is not only necessary but also vital. It is important to perform a regular and consistent budget review to maintain a healthy financial lifestyle. ■

3. Lessen your luxuries.

Okay, so maybe you enjoy your daily coffee, and it's not something you are willing to give up. That's okay. Perhaps ordering a cheaper drink such as an Americano rather than a Latte will keep you happy. Want to go even cheaper? Buy yourself a good ole fashion cup of brewed coffee and add a shot of flavor. Maybe you love reading and buying that new book every week is the highlight of your month. Getting a membership to your local library is free, and you get access to thousands and thousands of books. Often, if the library doesn't have a particular book you want to read, they will even order it for you. It's okay to keep the little treats

that keep your life enjoyable; simply finding a way to lessen the cost is helpful when you are working towards living within your means.

4. Do it yourself.

With a TV network all its own, a vast array of websites, too many YouTube video's to count and a plethora of books, Do-It-Yourself projects are literally spilling into the hands of those brave souls that want to learn. Look, we all know that hiring a professional isn't cheap. With a little bravery and elbow grease (and an internet search or two), there are many projects you can learn to do yourself and save loads of money in the process. You may also find that you

love doing something so much that it becomes a hobby or small side job.

5. Find better debt.

All loans are not created equal. Now is the time to analyze your high-interest loans or debt (such as credit cards) and consider lower-interest solutions such as personal loans or debt consolidation loans. Swapping higher interest debt for lower interest debt will consistently save you money until the debt has been paid off completely.

These five sacrifice-free tips can help you easily and painlessly get on the path to living within your means. Not only will you be able to keep your standard of living, but you will also create a healthier financial future for you and your family. ■

Creating a Household Budget (continued from page 1)

ledger to software such as Microsoft Excel. They even have online budgeting services that provide tracking tools. Some such sites are www.mint.com or www.budgettracker.com. Keep in mind that there is no right or wrong way to track, and often you do not only have to choose one single method. Do what feels most comfortable for you.

5. Be ready to make sacrifices to create balance.

There will be times as you're living within your household budget that you will realize you have overshot in some areas and need to make up the difference. This will require you to cut back in other areas to stay on budget. Prioritizing is important at this point as your emergency fund will be the area that you feel most comfortable taking from but realistically should be the last place you look to borrow.

Any extracurricular or entertainment money should be the first to be pinched. Even categories as important as your

food budget can be tweaked to make up the difference when needed. Eating less meat and more rice and beans, for example, could help save a pretty penny when in a pinch. Making adjustments and cutting back to stay on budget is necessary.

6. Bring in additional income.

When it comes to income being brought into the household, most people simply rely on their paychecks or retirement plans. The truth is, extra income can be earned quite easily by getting a part-time job, doing freelance work from home or even selling crafts. Whether your talent is sewing, painting, or writing, there is a need and a market for your talent. What if you're not a crafty person? You might be wondering. Simply having some spare time can give you the opportunity to make money. Spend a couple hours a day watching children, clean somebody's home or perform simple yard work like cutting

grass or pulling weeds. Service jobs are easy to come by, and while they may not make you rich, they will certainly help increase your income and make it easier to save money and stay on budget!

So there you have it, six valuable tips that will help make creating your budget a breeze! What are you waiting for? Stop dragging your feet and begin making your household budget today. ■



Family Financial Education Foundation

ACCESS EDUCATION SYSTEMS

724 Front Street, Suite 340

Evanston, WY 82930

contact: (877) 789-4175

www.ffef.org | info@ffef.org

Monday-Friday: 7:00 a.m.-6:00 p.m.

Saturday: 8:00 a.m.-12:00 noon



If you know of someone who would benefit from this information, please pass this newsletter along.

This publication is the property of Family Financial Education Foundation. All rights are reserved.

For more information about our services or how we can help you with your debt management program, please contact Family Financial Education Foundation at www.ffef.org.