

## Budgets: Making the Most of Your Money

### How to Set Up a Budget – and Stick to It!

#### **Determine how much you have to spend (income)**

One of the first and most important steps to establishing a budget is to realistically look at how much money you have coming in. You typically know how much your paycheck is for every week, that's the easy part. Do you have any other sources of income that you can include? Financial aid, loans, alimony, child support, any government assistance, garage sale or eBay money should also be included as part of your budget. A lot of people will look at this as 'found' money and will use this frivolously; however, if you are in debt or are struggling from paycheck to paycheck, even this money should be set aside to pay bills or set aside in a savings account for emergencies.


This can be tracked on your own personalized Budget Spreadsheet – available as a free download in Excel format from the Center.

#### **Determine what you are spending now**

This is a hard part for a lot of people, being honest with themselves as to where the money goes—it may be tough to admit to yourself that you are spending \$100 a month on eating out, \$50 a month on manicures, \$75 a month at the hairdressers, or \$100 at the golf course. In fact, most people are quite surprised when they actually start tracking where they spend their money.

Using the Budget Spreadsheet you should start keeping track of, and recording, every single purchase that you make. If you buy a pack of gum, write it down. Get the car washed, write it down. Cup of coffee? You guessed it—**write it down!**

We recommend keeping a notebook, journal, or even a small scrap of paper with you at all times so that you can write down unexpected purchases.


 - Keep a folded-in-half post-it note in your wallet or purse, right next to your money, so that you can write down anything that needs to be entered into your Budget Spreadsheet later.

Every time money leaves your purse or wallet, credit card or bank account, it should be recorded under the proper category. Keeping track of where you are spending your money will alert you to possible areas where you can start cutting back. Included in the Budget Spreadsheet are tabs for every month so that you can accurately keep track of where you are spending your money.

#### **Determine how much you should be spending**

Based on your income how much should you be spending on groceries? Or housing? There really isn't any hard rules about how much you should be spending in each category, but obviously the less you make the less you have to spend on extras like

vacations. Even if you have surplus income you should be careful of where you are spending your extra income, or how you save it.

 - A great website that can help you determine roughly how much you should be spending in each category can be found on Crown Financial's Website. This should only be used as a rough guideline and is not set in stone. Each person should establish his or her own priorities and budget accordingly.

After determining how much you can spend in each category, enter those amounts into the Budget tab of you Budget Spreadsheet. Fixed expenses such as housing and car payment should be entered first. The flexible expenses can be manipulated to fit after the fixed expenses are entered.

A few tips to remember:

1. DO NOT SPEND more then you earn.
2. You should never put anything on a credit card that you know you can't pay off at the end of the month. We understand that emergencies do arise but with proper planning these can be taken care of without going into debt.
3. After tithing, remember to pay yourself first. You should include in your budget money that needs to be set aside into your savings. We recommend that you have at least three months salary set aside for emergencies although having one year set aside is preferable. If you are in debt start off small. Even \$10 a week is something and you probably won't even miss it.
4. Don't forget to budget for those items that may not occur every month, such as car repairs and oil changes, license plates for the car, hair cuts for the kids, or Christmas gifts. These are just a few examples.
5. Budget for entertainment. Just because you are on a budget doesn't mean that you have to sit at home and watch TV every weekend. It is ok for you to have a life! Just do it sensibly. Put in your budget money for a night out, dinner and a movie, a hockey game. Just make sure that you stay within your means and don't get carried away with it. Also, look for less expensive alternatives. Maybe get take out and rent a movie instead of going out.

### **See where you can cut back**

At this point you have started tracking where you have been spending and you probably have a good idea of what you should be spending. Can you see a difference? It is now time to start cutting out those areas where you haven't been faithful with your money. That \$3 coffee in the morning can quickly add up to \$60 a month! Or the money you spent stopping at the local bar for a couple of drinks on Saturday night can be used to pay down one of those credit cards that you used to buy purchases you can't even remember. Start cutting out those unnecessary expenses and start putting it towards more fruitful purposes. Do you really need the premium cable TV and two cell phones if you are getting calls from collection agencies?

**Establish a budget and stick to it!**

You now have your budget in place. You know how much income you have coming in; you know how much payments and debt you owe. You know how much money you have left over to spend on DVD's, gardening supplies, concert tickets, whatever. You have your plan to get out of debt, set money aside for savings, and attain your personal money management goals. How do you stick to it?

1. Accountability partners are a great asset. Confide in a friend, family member, Deacon at your church. Tell them about what you are doing and what you hope to accomplish. Give them periodic updates of your progress.
2. Join a support group. Believe it or not, you are not the only one struggling with finances. There are many groups out there that are not only there for support but provide sound financial principles that you can apply in your daily life. Crown Financial Ministries is just one of the many organizations that provide a forum where you can get together and share your experiences, struggles, and triumphs.
3. Work together with your spouse or partner to hold each other liable if one of you slips. If one person spends too much in a given month make that person responsible for paying double into your allowance fund the following month. You'd be surprised how effective this can be!

Above all, don't look at a budget as a form of slavery. Look at it as freedom! You will find that the more responsible you become with your spending the more you will have to spend!

Source: <http://planabudget.com/budget-setup.htm>