

BUDGETING

Before reading this article, ask yourselves this question and please be honest, “Do we have a plan in place regarding the finances of our household?” The definition of a budget is an organized plan that refers to a listing of all income and expenses. Basically where does the money come from and where does it go.

Budgeting is a tool to be used not only when you’re experiencing a difficult time with income; but to be used on a continuing basis regardless of the financial situation. It is proven that those who treat their household finances like running a fiscally sound business experience less distress when an unexpected event occurs. Households that budget have fewer arguments about money because everyone is on the same financial page.

There are many places one can go to find a budget worksheet or tool to use to create the list. (On-line, at your local library, and at most banks, etc.) Complete the plan with all in your household that contribute to the income and contribute to the decisions about expenses. This will allow for a united front in terms creating goals. This will also allow for all in the household to have an understanding of who to pay and when.

Get your finances organized...

- Be truthful about your list, put down everything.
- On the income side, be truthful: seasonal income fluctuations need to be well thought-out as well as overtime income...will overtime continue to be available?
- On the expense side: many times there are items that are forgotten such as doctor visits, insurance premiums, car washes, hair cuts, movie rentals etc.
- Once you have your list complete look at it open-mindedly to see if there are items you can “cut-back” and then stick to it.

When your plan is complete...

- Keep close tabs on your spending...use your checkbook register to monitor where your balances stand with every transaction. Do this daily.
- Beware of debit card usage. It can be the best tool for convenience but it is easy to use and to not record especially if there are two people using a debit card and only one person keeping the register. Too many times a lack of communication causes negative checking account balance and overdraft fees are too costly.
- Every pay period have an idea of what bills need to get paid and what the excess funds are.
- Once a month review the entire plan against exactly what happened.

In summary the purpose of budgeting is to provide a planned forecast of expenses and income and then measure the plan against reality. You will need to tweak and adjust the plan on an on-going basis due to unexpected expenses or unexpected changes in your income. If you are proactive about your budget, and something unexpected in your finances occurs, you will have armed yourself with the ability to handle the situation, revise your plan, and to get back on track.