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7 KEYS TO SETTING & STICKING TO A BUDGET.

Set realistic amounts: If you know that you like to shop, or that you don't like to cook, don't set a budget of \$25 a month for shopping and dining out.

Use cash instead of a debit/credit card. Retailers know that consumers spend more when they use their card instead of spending cash. Every Sunday withdraw enough for your gas, lunch, groceries, and incidentals.

Watch your funds: Balance your checkbook! Don't rely on the online banking system to give you current balances, as some purchases may not show for 24-48 hours later. Balancing your checkbook also helps you avoid overdraft fees, and less overdraft fees equal more savings!

Stick to your entertainment budget: Use a prepaid debit card for your entertainment cost. Once the card is empty, you'll know that you've reached your entertainment budget for the week. Be prepared to say NO to invitations from friends, and don't feel as if you need to provide a detailed explanation about your financial situation.

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Expect unexpected expenses. No matter how disciplined you are in sticking to your budget, just as sure as the sun rises in the East, and sets in the West, I can GUARANTEE YOU that some unplanned expense is going to come up. Whether it be an increase in fuel cost, an increase in your utilities, or an unexpected dental emergency, expect to spend an extra \$100-\$150 a month.

Track every purchase for the next 30 days. In order to get a clear look at your spending habits, you need to track all of your purchases. From the gum that you purchased, to the car note that you paid, Record. Every. Single. Purchase. Although you can use your bank statements to track your spending, writing down the figures can help you identify and remember areas of your concern.

Pay bills on time to avoid late fees and bad credit. Nothing, and I mean **NOTHING**, can destroy a budget faster than a late payment fee! If you don't like having your bills set to auto pay, try using google calendar to set a reminder the day before a bill is due. Not only does paying your bills on time increase your credit score, but it also creates more wealth building opportunities.

BUDGETING FOR A FHA MORTGAGE LOAN & DEBIT TO INCOME RATIO

28% front end for housing related debt such as mortgage, insurance, and property taxes. A salary of \$40,000 would have a FHA front end ratio of \$962.

40% back end debt includes total monthly debt, not just the mortgage payments. A salary of \$40,000 would have a FHA back end ratio of \$1,374. The "back-end" number takes into account *all* recurring monthly debts. Back end debts can include: auto loans, credit card payments, student loans, child support, alimony, etc.

Suggested monthly budget percentages by category

40% Total Debt	10% Savings
30% Taxes, Insurance	10% Emergency
5% Retirement	10% Charity, Entertainment, Vacation



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ELEMENTS OF A GOOD BUDGET.

<p><u>Emergency funds needed</u> Random vehicle repairs. Days off work due to illness (personal or family member). Major household repair(s).</p> <p><u>Social Duties</u> Birthday Gifts. Baby Shower Gifts. Graduation Gifts. Office Christmas Grab Bag. Somebody's child will be selling girl scout cookies.</p> <p><u>Medical</u> Dental visit copays (at least twice a year). Doctor visit copays (at least twice a year). If you have children, set aside money for at least 2 emergency room visits.</p> <p><u>Transportation Cost</u> Brakes. Oil Changes. City & Plate sticker for lights. Gas for vehicle (budget for increases). Red light tickets.</p> <p><u>Food</u> Monthly groceries. Holiday Meal groceries.</p>	<p><u>Things that will happen 99% of the time.</u> Property tax increases. Increase in light and gas bill during winter & summer months.</p> <p><u>Things that might happen.</u> Furnace or Water heater goes out. Washing machine & Dryer break. Major appliance breaks (refrigerator, microwave, dishwasher). Basement floods. Increase in monthly credit card payments if you charge more than usual. Auto Insurance rate increase. Homeowners insurance rate increase.</p> <p><u>Utilities</u> Internet. Lights. Heating & Cooking Gas.</p> <p><u>Entertainment/Recreation</u> Cable. Movies. Dining out. Vacation.</p> <p><u>Household items</u> Cleaning supplies. Foil, Plastic bags. Laundry detergent, Bleach, Fabric Softener. Body Soap. Tissue.</p>
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Hot tips for new home owners!

Monthly payments: If your property taxes are included with your mortgage, a 30 Year Fixed Mixed mortgage doesn't mean that your monthly payments won't increase!

Insuring your items: Take a video of household items, along with receipts, and keep an inventory log.

Maintenance: Make sure to change your furnace air filters, and keep the gutters cleaned!

Own your home faster: Add an extra payment every monthly to reduce your principal, and pay off your loan faster! An extra \$75 a week on a \$150,000 mortgage at 5.25% will have the home paid off 15 years ahead of schedule!