

BUDGETING: A NEW YOU

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“A man may, if he knows not how to save as he gets,
keep his nose to the grindstone.” – BENJAMIN FRANKLIN

BUDGETING: A NEW YOU

Today is a great time to make a fresh start and create a brighter financial future. Maybe you want to save larger chunks of money for your retirement years, or there has been some radical change in your circumstances (such as relocation, a new job, or the arrival of a baby) which demands an adjustment in your budget.

In this booklet, you'll discover how to live on a budget, stick with it and still have fun.

THE BENEFITS OF BUDGETING

Budgeting won't take all the fun out of your life. In fact, you'll have a sense of accomplishment and growing security. A stable financial situation can lead to stronger relationships, more joy at work, and a rock steadiness in the face of change.

"A billion here, a billion there - sooner or later
it adds up to real money." – SENATOR EVERETT DIRKSEN

TAKING CONTROL

It takes self-discipline to take charge of your finances. The important thing is to realize that you do have control over the situation. It's easy to blame a challenging financial situation on a low-paying job, high taxes or irresponsible family members. You can't change these, but you can change yourself and your circumstances.

"The amount of money you have has got nothing to do with what you earn. People earning a million dollars a year can have no money and people earning \$35,000 a year can be quite well off. It's not what you earn, it's what you spend." – PAUL CLITHEROE

A FOUR-STEP PROCESS

This personal budgeting plan for a prosperous new future is a four-step process:

1. Determine your financial goals
2. Understand your current financial situation
3. Identify the obstacles to your financial goals
4. Plan your budget and stick to it

"A penny saved is a penny earned." – BEN FRANKLIN

DETERMINE YOUR FINANCIAL GOALS

Most of us don't think of how our choices related to making and spending money affect our financial well-being. Such choices could include how you

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choose to spend a Friday night, which restaurant you choose for your coffee-break, as well as where you work and live.

Keep these choices in mind before making a budget plan. Determine your financial goals. For instance, you may want to retire at age 65 and enjoy a comfortable income from your savings. How about having a stash of cash to help you through a few months if you lose your job? Maybe you'd like to buy a home or travel. Maybe you just want to get out of debt.

Once you've pin-pointed your goals, ask yourself whether you're willing to do whatever it takes to achieve them. If you don't think you can go the extra mile, it could be that your chosen goals sound good, but nevertheless, are not important enough to you. Pare down your list until you're left with the most important ones. These are the ones you go for.

"The only reason a great many American families don't own an elephant is that they have never been offered an elephant for a dollar down and easy weekly payments."

– MAD MAGAZINE

SHARED GOALS

If you share financial responsibilities with your family, discuss your common and individual goals. Talk about your current choices such as health insurance, house payments, and how much you're saving each month. Are these choices helping you achieve your goals? Are the most important financial goals shared by all members of the family?

"There are plenty of ways to get ahead. The first is so basic I'm almost embarrassed to say it: spend less than you earn." – PAUL CLITHEROE

UNDERSTAND YOUR CURRENT FINANCIAL SITUATION

This step in the budgeting process takes some work. Understand how money comes in and goes out. How much cash do you have and how much do you owe? If you're living with family, you'll want to discuss it with them.

Use the worksheets to ascertain how you earn and spend each month and what are your assets and debts. Once you do this, you'll be able to see why there's a shortfall every month or how to save more. One way to do this is by tracking your expenses for a couple of weeks or a month. Keep every receipt of your expenses for reference.

"A bank is a place that will lend you money
if you can prove that you don't need it." – BOB HOPE

SEASONAL AND UNEXPECTED EXPENSES

Bills for property taxes, car registration fees, some forms of insurance, homeowners' association dues, and more are due once a year and should be taken into account. Sometimes you'll find yourself spending unexpectedly for things like car repairs, clothing, and gifts. Be prepared for such budget busters and remember to include them in with your regular expenses.

"I have enough money to last me the rest of my life,
unless I buy something." – JACKIE MASON

FUN MONEY AND SHORT TERM BUDGETING

Yes, there is such a thing as fun money even when you're on a budget! Keeping aside some amount to spend as you like will lighten the load of budgeting. When you set up your budget, include an amount for fun money, just as you allocate set amounts for rent, groceries, savings, and more.

And don't forget to keep some money aside every month for next year's holidays! Planning your travel dates ahead of time allows you to take advantage of discounted air fares too.

"Can anybody remember when the times were not hard
and money not scarce?" - RALPH WALDO EMERSON

IDENTIFY THE OBSTACLES TO YOUR FINANCIAL GOALS

The next step is to ask yourself whether you're all set to achieve your financial goals. You probably notice some opportunities for change when you compare your goals with your current situation. It might make you uncomfortable, but your next step is to identify the habits, behavior patterns, and attitudes that hinder you from achieving your goals.

Check for the following:

- You buy yourself "treats" when you're feeling blue
- You reward yourself by splurging when you accomplish something
- You smoke, gamble, drink, or have expensive eating habits
- You feel uneasy about discussing money with friends and family

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- You're obsessed with saving money to the point of depriving yourself of the basic essentials
- You feel it's okay to put off saving for a couple of years
- You think you'll lose your savings anyway
- You have trouble adjusting to unexpected changes in lifestyle

Compulsive habits like gambling, working extra long hours, and drinking may make you feel like you're on a downward slope and nothing can stop the momentum of your decline.

Compulsive habits only offer a temporary fix. When the high is over, you'll find that you're still on that downward slope. If you find yourself in this situation, make changes. Your company might offer free counseling and support.

As for change, no one likes to be shaken out of a comfortable routine. ***The reality is: You can't change and expect to stay the same.*** Adjustments *must* be made and a balance sought when you suddenly find yourself thrust into an unexpected situation such as having to move to a smaller home, losing your job, or dealing with raised mortgage rates.

It's smart to have enough savings to cover three to six months of expenses to tide you over when unexpected emergencies arise.

“Credit buying is much like being drunk.
The buzz happens immediately and gives you a lift...
the hangover comes the day after.” – DR. JOYCE BROTHERS

BUDGETING AS A HOUSEHOLD

Managing finances as a household involves more heads and wallets than one, which can lead to conflict and confusion. Difficult as it may be to talk openly about money with your family members, it's crucial to the achievement of your shared goals. This is especially so if different people contribute to household income. Each one will have a different view regarding spending and saving.

- Work towards getting everyone to cooperate and agree on goals.

“Money may be the husk of many things, but not the kernel. It brings you food, but not appetite; medicine, but not health; acquaintance, but not friends; servants, but not loyalty; days of joy, but not peace or happiness.” – HENRIK IBSEN

PLAN YOUR BUDGET AND STICK TO IT

Now that you've worked out your current income and spending patterns and determined your most important financial goals, it's time to create a realistic plan that'll get you from where you are now to where you'd like to be.

Of course, if your finances involve the income and expenses of other people, you'll want to work it out together, rather than trying to impose your budget plan on others.

Use your worksheets for discussion and show them how they relate to your goals as a household. If there are shortages, ask for the help of other household members in cutting back. Everyone must be clear and in agreement with the specific behaviors involved, whether it's cutting back on

credit card spending or using resources such as electricity and water judiciously.

If you're still seeking solutions, check with a financial counselor. Expert advice will help.

"It is an unfortunate human failing that a full pocketbook often groans more loudly than an empty stomach."

– FRANKLIN DELANO ROOSEVELT

BE SPECIFIC

Being specific is the key to financial success. It's not enough to say that you want to save \$300 a month. You need to know exactly how you'll do it. For instance, you might save \$50 a month by taking your lunch to work instead of eating out. Take care of such "little" expenses because they can pile up and upset the whole budget.

"Anybody who thinks money will make you happy, hasn't got money." – DAVID GEFFEN

TRACK YOUR PROGRESS

At the end of each month, you can track your spending and see how much you've been able to save. If you've spent extra, write it down. Keeping accounts will motivate you to work towards your financial goals and get you back on track if you find you're spending too much.

Don't be afraid to rethink your goals if they're too ambitious. If the process of attaining your goals is causing you too much stress, re-work your short term goals to ones you can achieve.

If there's a sudden change in your expenses or income, your budget plan will be affected. In case your income has decreased, don't fret. If you've filled in your worksheets, you'll know where to make changes. Work out a new plan before your situation reaches crisis point.

"Those who are of the opinion that money will do everything,
may very well be suspected to do everything for money."

– GEORGE SAVILE

CREDIT CARDS: DON'T LEAD YOURSELF INTO TEMPTATION

Credit cards pose a huge temptation. Credit card debt is growing rapidly worldwide. Use your credit card only for emergencies or items you can pay off in your next billing cycle.

The legalities of using credit cards can't be underestimated. You must understand what you're getting into. You might think that paying by credit card is convenient and easy, but the reality is that by using a credit card, you're entering into a legal contract with your bank or credit card company. There are clear penalties if you fail to pay back the money you're borrowing.

When you sign your credit card application, you agree to abide by the "rules" regarding the annual fee, penalties for late payments, and the interest rate charged on any unpaid balances.

You also allow the credit card company to take legal action against you in case you don't pay up according to the "rules" and report your payment practices to credit reporting agencies. This means that if you don't pay on time or if you miss payments, you may not be able to get another credit card or an important loan in the future.

In the same way, read the fine print before you take out a mortgage to buy a home or a car loan. If you can't keep up with the payments, the lender has the legal right to sell your home or take possession of your car.

"Today, there are three kinds of people: the haves, the have-nots, and the have-not-paid-for-what-they-haves." – EARL WILSON

WHAT TO DO IF YOU HAVE SERIOUS DEBT CONCERNS

If you find yourself in dire debt, seek the services of a credit counselor. The counselor can help you organize your finances and negotiate with collection agencies and creditors to arrange a repayment schedule that you find manageable. The fact that you're working with a credit counselor will prove to your creditors that you're doing your best to set things straight.

You can find an affordable, non-profit credit counseling service by searching for one online.

Make it a point to check your credit report regularly - at least every year. Check also when undergoing a major change that affects your finances such as a change of job, planning the purchase of a new home, or marriage.

“It’s good to have money and the things that money can buy, but it’s good, too, to check up once in a while and make sure that you haven’t lost the things that money can’t buy.”

– GEORGE HORACE LORIMER

38 TIPS TO HELP YOU STICK TO YOUR BUDGET

1. It’s a good idea to leave home without your ATM card and credit card.
2. Let the person who’s most budget-conscious carry the cash.
3. Make a shopping list and stick to it.
4. Resist buying anything the first time you see it. This will give you time to consider whether you really need it.
5. Shop for food when you’re not hungry.
6. Bring your own lunch from home to work.
7. Avoid eating out as much as possible. When you do eat out, use money saving coupons. Keep an eye out for "early bird specials." If you *really* need to eat out, eating lunch out is usually less expensive than eating dinner out.
8. Avoid checking out new stores or sales when you’re trying to avoid extra spending.
9. Get rid of mail-order catalogs.
10. Buy used items. Shop at outlet stores. Buy in bulk, and buy store brands – they’re often cheaper.

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11. Instead of buying your own barbecue grill or lawnmower, get together with your neighbors and purchase one everyone can use.
12. Use pre-tax deductions from your payroll to build savings and retirement funds.
13. Getting to your money shouldn't be easy. Avoid ATMs and make sure your bank is far away. Open an account which requires two signatures.
14. Avoid letting credit card debt pile up. Pay off your credit purchases as soon as you can and pay more than the minimum required.
15. Request your bank to lower the interest on your credit card or switch your balance to a card with a lower interest rate.
16. Use resources wisely: switch off the lights when you're not in a room and install energy saving lights. Turn off the water while you're soaping up or brushing your teeth. Turn off the heat or air conditioner when you're out.
17. When it's hot, keep window shades down. In the cold, let in the sunshine for some natural heat.
18. Check for the best telephone rates.
19. Buy clothes that don't need dry cleaning or ironing.
20. Instead of buying expensive gifts, think of alternatives or make your own.
21. Instead of hiring help, clean your own place.
22. Replace branded cleaners with natural, homemade cleaners.
23. Join a babysitting cooperative or organize a group of parents who baby-sit for each other.

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24. Team up with other families for children's activities. Take the kids to public parks.
25. Watch for free community events.
26. Books, videos, and CDs can be borrowed from your local library and movies can be rented. If you go to a movie theater, take your own snacks along.
27. You can give up cable TV or cut down on the number of channels.
28. Nonessential magazine and newspaper subscriptions can be discontinued.
29. Get rid of expensive health club memberships. Check with your employer or insurance plan for a discounted health club membership.
30. Replace dinner parties with potluck suppers.
31. Use email or Skype, instead of long-distance calls.
32. Move to a cheaper area or a smaller home. Choose to live near some public means of transportation. Find a roommate.
33. Ride a bike, take the bus or carpool.
34. Instead of an expensive holiday, consider a camping trip or travel off-season.
35. Give up your vices such as cigarettes or booze.
36. Sell things you don't need.
37. Plan ahead. Buy gifts throughout the year when you find the items you like on sale and save them for the gift-giving occasion.
38. Never pay full-price for anything! Take advantage of sales, coupons and other discounts.

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“If you think nobody cares if you’re alive,
try missing a couple of car payments.” – EARL WILSON

If you’ve implemented these wise budgeting tips, you’re well on your way to a brighter financial future. You’ve had to make some tough decisions and do some serious soul searching to determine your financial goals. You’ve had to discipline yourself by changing habits to balance your budget, but it’s been worth it. Here’s to a prosperous and happy new you!

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