



## *Eight Steps To Create A Budget...*

*Can't figure out where your paycheck goes each month? It's time to set up a household budget and figure out exactly how much you've got coming in and how much is going out. The following eight-step plan will help you do just that so you can stop spending and start saving!*

- \$ **Step 1: Write down your total take-home monthly income.** This is the easiest part – figuring out how much you have to spend.
- \$ **Step 2: Write down your essential expenses.** Start with fixed bills like rent/mortgage, car payment, insurance, credit card debt, etc. Then factor in the monthly bills that are always around the same amount such as the cell phone and cable bill, and utilities such as electricity, water, gas, etc.
- \$ **Step 3: List your variable essential expenses.** This includes items like groceries, household expenses (such as cleaning and paper products), gasoline, medication, pet expenses, clothing, etc. Assign an estimated amount to each based on past experience, rounding to the nearest \$10.
- \$ **Step 4: List reasonable amounts for nonessential expenses.** This includes entertainment expenses such as: eating out, hobbies, trips to the bowling alley or arcade, movie rentals, etc.
- \$ **Step 5: Find the Extras.** Go to your current method of tracking your spending (your checkbook register, credit card statements, Quicken® reports) to see what expenses you've left out. You'll likely see items for car maintenance and repair, gifts, and vacations. For items that do not occur monthly, determine the annual cost and divide by 12 to determine how much you should set aside each month.
- \$ **Step 6: Figure out your totals:** Add up expenses, and then subtract that amount from your income.
- \$ **Step 7: If you came up short, see what you can do to cut back.** Look first to your nonessential expenses. What if you only ate out once a week or just twice a month? What if you gave up your hobby expenses for a few months?
- \$ **Step 8: Follow your spending as closely as possible.** Track your spending each day by posting it on a piece of paper. Add everything up at the end of the month and compare it with what you planned. Use this information to create next month's budget and work on improving your habits.