

# Budgeting

## Budget Your Way to Financial Security

For many people, the "B" word brings to mind unpleasant thoughts of self-denial and endless record keeping. It doesn't have to be that way.

A budget is basically a saving and spending plan that can help you reach your financial goals like buying a new car or getting your first apartment.

With a computer and a personal finance software package, you can make the task easier and enhance your ability to analyze the results.

## Setting up a budget

Whether you go the automated route or stick with the pencil and paper approach, the act of creating a budget is basically the same. You start by listing all sources of monthly income. Next, you identify your major expense categories.

## Major expenses

Consider fixed monthly expenses such as rent, insurance, and utilities, as well as your more flexible and intermittent expenses like food, clothing, gifts, and car repairs. Then, grab your pay stubs, checkbook register, and debit and credit card statements, and begin to allocate your expenses to the different categories you created.

You are likely to find that some spending is hard to reconstruct. Many budget builders find that their records reflect only a portion of their spending and, for some people, it's a relatively small portion. What happens is that all those cash outlays for gourmet coffees, video rentals, and magazines seem to fall between the cracks.

## Track every dime

If you can't account for a large chunk of your income, try for a few months to carry around a small notebook and record every dime you spend. While spending \$1.50 a day on a one-liter Dr. Pepper may seem trivial, the \$547.50 you could have at the end of a year if you didn't spend it certainly is not.

## Learning to save

Get in the habit of paying yourself first. Instead of paying your bills and saving what is left over, if anything, decide how much you want to save each month and set it aside before you pay other bills.

## Good records are important

It is important that you monitor your budget on a regular basis. Once a month, or more frequently if you prefer, record and categorize the current month's income and expenses. Then take a look at how you have done.

When you compare your income and expenses, if you find that your spending is outpacing your income, you may need to rework the numbers. Try to squeeze a little out of several categories rather than taking a bigger chunk out of one.

It could take several months or more before you arrive at a budget you can live with, but the key is to be flexible. Budgeting is one of those skills that gets better with practice, and learning to budget while you're young will serve you well later in life.