

## **HOW A HOUSEHOLD BUDGET WORKS**

**A budget is simply a spending plan.**

Before starting any household budget plan, you must know where your money is being spent. It is a tedious process and can be a real eye-opener! Many of us spend with no plan or idea where our money goes. An accurate system of accounting for expenses is the first step to making a budget you can live with.

### **Track Your Spending**

- One simple, inexpensive method is to purchase a small notebook from a dollar store. Keep it with you and record everything you spend. Everything.
- ATM and debit transactions, and credit card expenses.
- Use a simple spreadsheet software such as Microsoft Excel or a paper based system such as BudgetMap to record your expenses.

### **Create a Budget**

Having a budget does NOT mean squirreling away every single penny and doing without. It IS about being sure your basic needs are taken care of and that you are completely aware of how much cash you have for splurges.

After tracking your expenses, it's time to start budget making plans.

Following are several lists that will help you in the budget making process.

#### **Income**

Include all sources of revenue such as gross income paychecks, bonus checks, child support or alimony, government checks, retirement, investments, or personal business income.

#### **Recurring Expenses**

Here are some usual monthly recurring expenses. Along with your spending record, they will help you know that you remembered everything.

Food, childcare, home insurance, health insurance, automobile insurance, gas / electric, phone, cell phone, cable/satellite, internet access, monthly prescriptions, water / sewer, garbage service, dining out, school lunches, work lunches (brown bag or restaurant), entertainment and charitable giving. Remember to also include your monthly savings account goal (payment to yourself). Don't omit items such as movies or dining out if you know you will continue these activities. Just be sure to stay within what you can afford to spend.

#### **Variable Expenses**

This is a list of expenses that are not on an every month basis. Some examples are: Christmas, other holidays such as Mother's Day, Father's day, etc, birthday's, pet care, personal care (beauty shop, etc), property tax, income tax, household repairs, doctor visits and prescriptions, clothing and shoes, school supplies, school tuition or other school expenses. Mortgage, home equity, and automobile.

Loan Expenses

### **Unsecured Debt**

Credit card debt, school loans and other unsecured debt

To put together your spending plan, income and expenses need to be on a monthly basis. Take the net amount you get from each income source and figure how much you get from this in a year. Now divide this amount by 12 to get your monthly average. Then average all expenses to a monthly amount.

You have now averaged all the things that change from month to month; both your expenses, and your income. Now you have a spending plan! You spend according to your plan, not what you have in the bank!

As you put your plan into place, review and revise your budget. Know why you want to make spending and planning changes. If you have these goals, making changes won't feel like you are doing without what you love!

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She is married and a mother of 2 with a grand-daughter, and a new grandson! She recently completed an ebook "Thrifty Living: Be Thrifty, Make A Budget, and Save Money!".

Her website, <http://www.thrifty411.com>, offers thrifty living tips, money saving ideas, and help on how to create a personal budget.

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