

## Setting Up Your Budget

If you don't know where your money goes, you'll live and spend from day to day with no clear idea of how much money is moving in and out of your accounts. To help you figure it all out, follow the four simple steps below.

1. **Create a worksheet so you can analyze where your money goes.**

In a blank notebook, list the budget categories that apply to you, one on each line, using the categories in the budget worksheet (see below) as a guide. Add budget categories that are uniquely yours; for example, if you are enrolled in school part time, you may have additional expenses for tuition payments, textbooks and supplies.

2. **Figure out where your money has gone.**

Go through your checkbook and credit card statements for the past year and list each check or itemized credit card charge in its proper category. Add the amounts in each category, and you will have a summary of your spending by category for the past year.

3. **Setting up your budget for the coming year.**

Decide where you can cut back, and by how much, and subtract the changes from the category totals. Divide the revised amounts by 12 to arrive at your preliminary monthly budget. Compare the total of all expenses with your monthly income, and adjust the expenses as necessary until your monthly budget equals your monthly income. Be sure you allocate as much as possible to the category "savings and investments"; 10-15 percent of your gross income is ideal. Getting the inflow and outgo to agree may take some doing, but persevere until your budget balances.

4. **At the end of each month, see how close you came to your budgeted amounts.**

Use the Budget Worksheet below. Once you figure out whether your spending was over or under your budget, jot an explanation into the column next to major variances. If you consistently exceed your budget, you will have to adjust your spending habits or find a way to increase your income so you can accommodate your extra spending.

Use a computerized program to help set up your budget, such as Quicken or Microsoft Money. This will make tracking your expenses much easier, because it does the math for you as you go along. Or you can use Microsoft Excel to develop your own worksheet.

<b>Budget Worksheet</b>				
<b><i>Paying yourself first</i></b>	<b>Budget</b>	<b>Actual</b>	<b>+ or -</b>	<b>Explanation</b>
Cash savings				
Debt repayment				
Life insurance				
Disability insurance				
Retirement savings				
Education savings				
Auto payment or lease				
<b><i>Residence</i></b>	<b>Budget</b>	<b>Actual</b>	<b>+ or -</b>	<b>Explanation</b>
Mortgage or rent				
Property tax				
Home insurance				
Utilities				
Repairs & cleaning				
Gardening				
Homeowner fees				
Other				
<b>THE BASICS</b>				
<b><i>Food and clothing</i></b>	<b>Budget</b>	<b>Actual</b>	<b>+ or -</b>	<b>Explanation</b>
Groceries				
Household supplies				
Clothing				
Dry cleaning and laundry				
<b><i>Health</i></b>	<b>Budget</b>	<b>Actual</b>	<b>+ or -</b>	<b>Explanation</b>
Health insurance				
Drugs & vitamins				
Doctors, dentists, etc.				
Other health costs				
<b><i>Personal care</i></b>	<b>Budget</b>	<b>Actual</b>	<b>+ or -</b>	<b>Explanation</b>

Grooming				
Other personal care				
<b><i>Transportation</i></b>	<b>Budget</b>	<b>Actual</b>	<b>+ or -</b>	<b>Explanation</b>
Vehicle				
Insurance & registration				
Gasoline				
Repairs / maintenance				
Other transportation				
Tuition & education				
Legal and accounting				
<b><i>Family and Social Life</i></b>	<b>Budget</b>	<b>Actual</b>	<b>+ or -</b>	<b>Explanation</b>
Child care				
Entertainment				
Meals out				
Club memberships				
Gifts				
Pet expenses				
Charity				
Miscellaneous				
<b><i>The Extras</i></b>	<b>Budget</b>	<b>Actual</b>	<b>+ or -</b>	<b>Explanation</b>
Hobbies				
Vacations				
Sports				
Toys				
Pocket money				
	<b>Budget</b>	<b>Actual</b>	<b>+ or -</b>	<b>Explanation</b>
<b>Totals</b>				

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