

Introduction to Budgeting

Planning a budget (and sticking to it) can help you live on modest means without going into debt. Following a realistic budget can help you meet your saving goals, plan for emergencies or unexpected costs, and reduce stress. Budgeting allows you to control your money instead of letting your money control you.

Saying you will budget and sticking to it can be challenging. Many people plan great budgets and give up as soon as something does not go as planned. But, the major reason people fail at budgeting is a poor attitude. If you think of budgeting and being financially responsible as a chore or a sacrifice, you are sure to fail. However, if you change your attitude, you can be successful. Think of it as a 'plan' instead of a budget. Like all other plans, it will need to be custom-made to your situation and long-term financial goals. Don't worry about fitting into a 'one-size-fits-all' category, but instead focus on what works for you. Start out small if you must!

How to Plan a Budget

- Start with some sort of a budgeting tool. This can be a worksheet, a piece of paper or computer software.
- Go through your checkbook and put your expenses into categories.
- Look at pay stubs to determine how much money you bring in each month.
- For each category, try to make a budget that realistically reflects your actual expenses. Don't forget to make a category for SAVINGS.
- Keep track of your expenses throughout the month.
- If you are spending more than you are bringing in, you have a problem! Your spending habits will need to change.
- If you have extra money left over each month, put a portion of it into your savings account. You can use the rest to pay off a high interest credit card.
- Keep tracking your expenses monthly to see where you can make changes.

Remember the following tips when planning your budget:

- **You must be committed.**
- **Be realistic and keep it simple.** Planning on saving \$200/month when you only make \$800 may not be realistic. Focus on what is important and necessary and try to make small, effective and realistic changes.
- **Budgeting money = Saving money.** Think about why you are budgeting your money. Do you want to save for retirement? What about a new car? Budgeting helps you save!
- **Track your spending.** This is very important!! Don't do all the hard work of preparing a budget just to ignore it. Tracking your money will help you see where you need to curb spending. Whether you do it daily, weekly or monthly...**TRACK YOUR SPENDING!**
- **Look for Free stuff!** Check out local newspapers. Go to the park. Attend that free concert. Volunteer. Be creative.
- **Correct bad spending habits now.** This will take discipline, but you can do it!
- **Plan for the unexpected.** It never fails. You have a little money saved up for a trip and your car breaks down. Make sure you put aside a little money each month to avoid added stress.

- **Don't panic.** You are going to make mistakes. It's okay. Just get back on track as soon as possible.
- **Reward yourself.** Do something for yourself if you stick to your budget for an entire month. Just don't go crazy!
- **Stick with simple budgeting tools.** You can use Excel or a piece of paper to track your budget. There is no need to invest in high-tech, high cost tracking tools.
- **Don't let money rule your life.** You have enough stress in your life. Do the best you can when it comes to your budget. Learn from your mistakes and try to do better next time.

Tips for sticking to your budget:

- Pay as much as you can on your credit card bill monthly without overspending your budget. This may mean one less dinner out or movie rental, but it is worth it.
- Keep a 'penny jar' at work and at home. Put your spare change in everyday or after doing laundry. Go once a month to the bank and deposit it into a savings account or use to make an additional credit card payment.
- Are you getting a tax refund? No matter what the amount, make an oath to put it in your savings or use it to pay off a bill.
- Be careful when considering transferring one credit card to a lower rate card. Read the fine print! Credit card companies may offer a low or 0% transfer rate but could hike that up after 6 months.
- Create bank account errors IN YOUR FAVOR. Round up your purchases to the nearest dollar or higher. For example, if something costs \$7.30 write it down as \$8 or \$10! You will end up with more money at the end of the month.
- Look at your budget and take out cash for the week. Leave your credit cards and debit card AT HOME. For example, if you spend \$80/week, take that exact amount out of your account IN CASH. Make it last!
- You only need one credit card! Say it with me.... "I only need one credit card and it is for emergencies only."
- Only take money from a bank branch during business hours. Avoid ATMs.
- If you have to use an ATM, try to use your bank to avoid fees.
- Always review your monthly bills. Sometimes there are added fees or 'adjustments' that should be questioned.
- If you don't like to keep cash in your wallet, put everything on a debit card. This means leaving your credit card at home! This way you can track everything you spend.
- Remember: If you use your credit card for that 'night out' at \$50, it will turn into \$60 on your monthly credit card statement due to interest rates!
- You can always give plasma! You will receive about \$20 for your 1 ½ hour donation. You can go to www.biolifeplasma.com to read frequently asked questions.
- You should not be paying more than 12% interest on your credit cards. Call your creditor to negotiate a lower rate or go to www.bankrate.com for a list of the lowest rate credit cards.
- If you must get a credit card, make sure they are 'no fee'.

SAVINGS

It is recommended that you have three to six months of your monthly bills in a savings account to avoid unexpected layoffs or job losses. However, if you are in serious debt, you may need to hold off on building up your savings. You can always rebuild your savings with the money you were spending on credit card bills. You can also use a credit card for REAL emergencies if you have too. Unfortunately, going to a new club and buying a new outfit or CD are not emergencies.

There is no magic way to save your money. It is the basic principle in financial planning. Now, more than ever, we must be prepared for our future. People are living longer, healthcare and social security are changing, and attending college is more expensive. But, don't stress. Small changes can go a long way toward building your savings.

- 1) Set up a savings account if you do not already have one.
- 2) Automatically deduct from your checking account monthly (this can be a set amount or a percentage of your paycheck) and DO NOT TOUCH THAT MONEY!
- 3) Set a goal. Why are you saving? Is there a trip you want to go on? Do you want a new car?
- 4) Write SAVINGS into your monthly budget.
- 5) Whenever unexpected money comes your way, put it into your savings account (if you do not have a lot of debt).

Sources:

The information gathered for this paper was given by the Indiana Reading Corps AmeriCorps members, Indiana Campus Compact staff as well as from numerous articles from the below sources.

Money Saving Tips and Budgeting

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www.financialplan.about.com
www.betterbudgeting.com
www.moneycentral.msn.com
www.moneyadvise.com

Energy Saving Tips

www.consumerenergycenter.org

Car Care Tips

www.meineke.com
www.rollinghillspublishing.com
www.fueleconomy.gov

Water Saving Tips

www.sydneywater.com.au
www.watersavingtips.org