

THE BUDGET MOM

6 STEPS TO A SUCCESSFUL BUDGET

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CREATE A BUDGET THAT WORKS FOR YOU!



6 STEPS TO A SUCCESSFUL BUDGET

Whether you are just starting out or you already have a budget, everyone has to start somewhere. Budgeting is the fundamental first step in achieving your financial goals. This workbook will give you a realistic view into your spending world and help you answer the question “Where is my money going?” I hope to give you the tools to rise above this problem and achieve long term financial success. By creating a successful budget you will be able to:

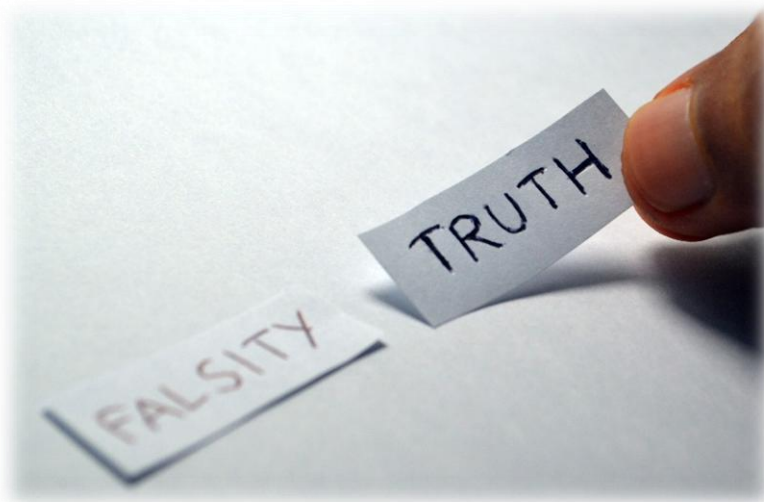
- Gain control over your money
- Stay focused on your money goals
- Decide how your money will work for you by budgeting future dollars
- Determine if you can handle debt and how much
- Save for unexpected costs or emergencies

The benefits of budgeting are truly endless. You have to WANT it, WORK for it, and STICK with it! I believe in you!





Myths VS Truths



Some of the main reasons people don't start a budget is because they honestly believe they don't need one (that's a myth people) and it's too hard (it's not). The first step is to know the difference.

Myths

1. I don't need to budget: The most common thing I hear about from people who don't budget is "I do it in my head" and "I budget by keeping track of everything I spend". If you are budgeting in your brain, and you have a spouse, hang on to your pants, because they have no idea what magic budget you are creating in your head. This is where spending and money can cause conflicts. Budgeting is looking towards the future. You have to budget for the money you haven't spent yet.

2. Budgeting is boring: I can say one thing, if budgeting isn't fun – you are completely doing it wrong. In budgeting we have a list of things we want and need. At first you might only have enough for "Need" items, but the fun part about budgeting are the "Wants" that are further down our budgeting list. You budget to achieve the "Wants."

Truths

1. You can't have everything you want right this minute: It's one of the leading causes for overspending. When you budget you have to "give up" a lot of the current desires to achieve what you really want for your future. We DO budget to achieve the things we want now by having a plan (budget) for that item and not going into debt to achieve it. The truth is, budgeting keeps you focused on your money goals.

2. You have to want it and make it work: In order to achieve budgeting success, you are going to have to want it. You have to make it work. A lot of the time people create unrealistic budgets expecting them to work and then end up hating budgeting because they failed at it. You have to personalize your budget. You really don't know what you are spending your money on until it's on paper sitting in front of your nose. Budgeting makes you aware of what is actually going on with your money.



3. Budgeting saves you money: How can you even begin to save for something when you are not even sure where your money is going? You have to be able to save for unexpected costs. When you are a successful budgeter, which I hope all of you become, you can eliminate unnecessary spending like late fees and interest. Budgeting gives you better control over your savings by planning for it now so you have it in the future.



Budgeting Trial Period

The success of your budget is based on how well you know yourself. Do you know how much you spend on your coffee in the morning or how much you spend on new clothes each month? These are areas that are easily overlooked when it comes to budgeting. Knowing how much we *wish* we can spend on these expenses can easily get confused with what we are actually spending. To get to know your spending habits and to figure out where your money is *actually* going, I would like to introduce you to The Budgeting Trial Period. For one month, track everything you spend your money on. From new shoes, to new school supplies for the kids, everything must be accounted for. This may seem like a lot of work, and it is, but your budget will never be successful if it's not realistic.

The form below will help you track your expenses. Feel free to print it multiple times if there is not enough room on one sheet. Once you have all of your expenses written down, total them at the bottom! You have just figured out what you are truly spending your money on!



Expense Tracker

Write your categories across the top.

Record each daily expense throughout the month.

Month

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Categories

Days

Days					
1					
2					
3					
4					
5					
6					
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31					

TOTALS



Income VS Expenses

I am a true believer in zero-based budgeting. In fact, I believe it is one of the main reasons I was able to take control of my financial beast. If most or all of your income is entirely focused on your paychecks, shouldn't your expenses also be focused on your paychecks too?

There are two very important terms for expenses I want you to be aware of.

Fixed Expenses: These are expenses in your monthly budget that never change. Your car payment will always be \$250 a month. Your mortgage will always be \$800 a month. The values on these expenses are what I like to call "in stone." There is no option to reduce them, in most cases. These things need to be paid and they have an exact amount that needs to be taken care of. Examples of fixed expenses include:

- Rent/Mortgage
- Car Payment
- Life Insurance Premiums
- Cable/Internet

Variable Expenses: These expenses are the ones I like to discuss. Why? Variable expenses are not set "in stone." One month you might spend \$30 on clothes, the next month you might spend \$400. You have complete control over how much you spend on these items. That's the fun part.

- Clothes
- Food
- Entertainment
- Household Items





Organize & Prioritize

It's time to put the categories you used in step #2 to work. From here you need to create the blueprint for your budget. This is the step where you see your budget come alive. It's time to fill in the blanks and account for your spending in my free budget worksheet.

Here are explanations for the categories I have provided:

Income: Enter your monthly salary, all bonuses, and investment income to see how much total income you have coming in. **don't forget to add your spouse's income too if you are doing a joint budget**

Housing Expenses: This area includes rent/mortgage, insurance, maintenance and property taxes.

Transportation: Enter all auto costs, fuel, and car maintenance.

Utilities: Go back up to step #2 and see how much you are spending on electricity, telephones, internet, TV, & water.

Medical: Add prescription costs, dental bills, copays, and health insurance.

Financial: Bank fees, interest payments, debt repayments, & saving contributions.

Enjoyment: Time for the fun stuff! Keep track of all gifts, holiday expenses, pet costs, entertainment, restaurants & hobbies in this area.

Routine Expenses: Groceries, clothing, shampoo, soap and everything else you buy every single month.

Family: Childcare expenses, allowances, sports, toys, school expenses, & everything else child related.

Budget Worksheet

Month



Income

Salary	\$
Bonus	\$
Investments	\$
Other	\$
TOTAL	\$

Utilities

Electricity	\$
Phones	\$
Internet/TV	\$
Water	\$
Other	\$
TOTAL	\$

FIXED EXPENSES

Home Expenses

Rent/Mortgage	\$
Insurance	\$
Maintenance	\$
Property Taxes	\$
Other	\$
TOTAL	\$

Medical

Medical	\$
Dental	\$
Prescriptions	\$
Glasses/Contacts	\$
Life Insurance	\$
Other	\$
TOTAL	\$

Transportation

Car Payments	\$
License & Reg	\$
Maintenance	\$
Property Taxes	\$
Other	\$
TOTAL	\$

Financial

Bank Fees	\$
Interest Payments	\$
Debt Payments	\$
Credit Card Pymts	\$
Emergency Funds	\$
Retirement Saving	\$
Other	\$
TOTAL	\$

Budget Worksheet

Month



VARIABLE EXPENSES

Enjoyment

Gifts	\$
Entertainment	\$
Vacations	\$
Pets	\$
Hobbies	\$
Restaurants	\$
Holiday Expenses	\$
Other	\$
TOTAL	\$

Family

Childcare	\$
School Supplies	\$
Tuition	\$
Books	\$
Activities	\$
Allowance	\$
Other	\$
TOTAL	\$

Routine Expenses

Clothes	\$
Groceries	\$
Shoes	\$
Personal Hygiene	\$
Health/Beauty	\$
Other	\$
TOTAL	\$

TOTALS

Income	\$
Fixed Expenses	\$
Variable Expenses	\$
DIFFERENCE	\$



Test Run

Now that you are all organized and prioritized, it's time to take your budget on a test run. If this is your very first budget, it probably won't work for you right away. You will not know the exact amount to put in each category, remember this is all new to you. **DO NOT BE DISCOURAGED!** The second month will be better, but it usually takes 3-4 months to get a great working budget.

Keep track of where you need to make adjustments and correct the following month accordingly. You didn't just jump on a bike and sprint down the street, you had to have training wheels first. The same goes for budgeting. Start with the training wheels, practice, adjust, and then go for it!





Make Adjustments

As mentioned in step #5 you will find that you need to make adjustments along the way. This can get frustrating for some people. You want to see the same thing happen every month and for things to be consistent. With this attitude you are more likely to fail, and I can't have that. Remember, this is what we call life. It happens and unexpected things arise. That's why it's so important to budget for emergency savings. Who cares if one month your budget doesn't seem to be doing its job - pick yourself up and start fresh the next month. By keeping your budget realistic, you are more likely to succeed.

Keep In Mind

Each cent of your income should have a job. Whether that is paying for a bill or taking care of a “want” item, it must have a purpose. You are more likely to not spend money if the money you have is already allocated for another purpose. At the very end, when you add up your income and you subtract it from all your expenses, it should be \$0. If it does not equal 0, remember to make your adjustments!

