

## Get Control Of Where Your Money Is Going



Having control over your money is important, both for your financial well-being and for your peace of mind. Creating a budget can help you feel more in control of your finances and allow you to save more money for your short or long-term goals.

**The following strategies can help you build your personal budget:**

### **Set Your Goals**

Make a list of all the financial goals you want to accomplish over the short and long term. Ask yourself basic questions about why those goals are your priorities, how you are planning to achieve them and how quickly you need to see the results. Short-term goals should take no longer than a year to achieve. For example, you may want to pay off your credit card debt or save up for holiday presents. Long-term goals may take years to reach. A typical example would be saving for retirement or your child's education. Don't think that your goals have to be set in stone, though. You can update your list whenever it's needed.

### **Know Your Net Income**

The first step of creating a budget is to identify the money you have coming in. Keep in mind, however, that it's easy to overestimate what you can afford if you think of your total salary as what you have to spend. Remember to subtract your employer deductions for social security, taxes, 401(k) and flexible spending account allocations when creating a budget spreadsheet. Your final take-home pay is called net income, and this is the number you should use when creating a budget.

### **Make Your Plan**

Start by dividing your net income into two broad spending categories: fixed expenses and variable expenses. Some of your expenses, such as your mortgage, are fixed because they stay the same each month. Other expenses, such as gas for your car or entertainment, are variables that change from month to month. For both fixed and variable expenses, you'll want to record how much you spend on each monthly. You may consider using budget building software tools or a personal budget spreadsheet to account for and categorize your monthly spending.

You may also want to divide your spending into three basic categories: needs, savings and wants. Needs include fixed and variable costs that are essential to your daily well-being. Savings include your emergency fund, retirement accounts, etc. Wants covers everything else.

### **Track Your Spending**

Not sure how much you are spending on variable expenses like groceries or dining out each month? These expenses can be difficult to track. You may want to try using a spending journal to help you do some detective work for this type of spending. Find a small notebook and use it to write down each purchase you make every day for a month. Other options include saving all receipts and adding them up at the end of the month or checking your online banking record if you use a debit or credit card for most purchases. Once you have a good estimate of these expenditures each month, incorporate it into your personal budget.

### **Personalize Your Budget**

The great thing about creating a budget is that you can customize it to your own needs. After you've determined what to set aside for your fixed expenses, you can alter the amount earmarked for variable items. The variable category gives you more wiggle room in how much you decide to spend where, allowing you to prioritize as you see fit. For example, you might decide you can spend less on clothes each month in order to give yourself more money for a Caribbean vacation next summer.

### **Creating A Budget**

Follow these four easy steps as you start building your personal budget spreadsheet:

1. Record your daily spending with a pen and paper or an app on your smartphone.
2. Plan for next month's expenses and income so you don't get taken by surprise. Make sure to check in with your significant other before making the list final.
3. Look for ways to spend less. Small savings can add up to a lot of money. Adding one small saving to your budget at a time can surprise you with how much extra money you've accumulated. For example, try shopping at a cheaper grocery store, buying generic brands or experimenting with cooking at home.
4. Find ways to boost your income. Anything from handy work to writing or teaching an instrument can be a way to earn extra money. One big bonus about this strategy is that you can make your side business full-time if you ever lose your job.

### **Have A Monthly Check-In**

Take a look at your spending every month and compare it to your personal budget to see how things are going. If you find that you're often going over-budget in some areas out of necessity, you should consider cutting elsewhere to keep things under control.