



## 16 Steps to Creating a Budget

**1.** Track your current take-home income and outgoing expenses. Learn where your money is going toward. It's hard to know where you're going if you don't know where you are. Break expenses down to essential and discretionary categories.

**Essential expenses:** Housing, food, insurance, medical care, transportation, child care, income taxes, savings, minimal toiletries, etc...

**Discretionary expenses:** personal (barber, jewelry, clothing and cosmetics), entertainment, internet service, gifts, cell phone, contributions to church/charity, pet care etc...

**2.** Establish your goals:

**Short range:** goals accomplished within one year.

**Mid range:** goals accomplished within 2-5 years.

**Long range:** goals generally take more than 5 years to accomplish.

**3.** Track your spending. Identify expenses that can be reduced or eliminated and take immediate action.

**4.** Expect and prepare for emergencies. Save enough money to cover at least 8 months of expenses and set aside in a savings or money market account.

**5.** If housing costs are too high, consider downsizing, renting or home sharing with friends or family members.

**6.** Make this budget process a family process. Both spouses must be actively involved and committed. Children should be informed at an age appropriate level. This provides an excellent opportunity to teach your children about money and values.

**7.** Do not try to “keep up with the Joneses.” This one bears repeating ... do not try to keep up with the Joneses!

**8.** Explore nanny share care, babysitting co-ops, and subsidized daycare. Childcare is the single largest expense for most working parents, so investigate all reasonable options.

**9.** Explore whether you would be financially better off if one parent were to be a “stay at home” or be a “work from home” parent.

**10.** Unless you have endless funds, accept that you can't buy everything you want for your child. This is often harder than it sounds.

**11.** Remember that you are the single greatest role model in your child's financial education. He or she will remember everything, from arguments about money to how you deal with debt. Teach good habits now.

**12.** Pay for unreimbursed medical expenses and dependant care with pretax dollars using a flexible savings account. Check with your employer for availability.

**13.** Commit yourself to spending within your means. A line of credit should never be confused with an emergency fund or extra income.

**14.** Remember you are not being “cheap” for the sake of saving a few dollars. You are doing it for the well being of your family over the long term, and will come out ahead by doing so.

**15.** Analyze your plan to determine if you are falling short of the amount you need to reach your goal. Adjust your plan so that your goals are reasonable and achievable.

**16.** Get professional assistance and support. Counseling will help you prioritize your expenses and understand debt repayment options.