

Budgeting for the Future

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To many people, the idea of setting up and maintaining a budget is very intimidating. Perhaps you think that it is more work than it is worth, and besides, where will you find the time for such a project? I will argue that it is definitely worth the time to create a budget, and that it will avoid a huge headache down the road. In this issue of the Bottom Line, I will briefly go through a few tips to help you set up a budget to get onto the path of financial stability.

The first and most important thing to look at is your attitude towards budgeting! There is a general misconception that folks who budget are penny-pinchers. We need to start by changing that perception. What is really important to you? Does the way you spend your money reflect these priorities? A good budget will give you the ability to make wise decisions in the way you allocate your resources.

In the society in which we live today, it is easy to get caught up in immediate concerns, and forget what is truly important. As a consumer walking into a store, do you purchase an item that entices you, without thinking about the true value of that item? Will that item still be of value to you a few weeks or months down the road? Budgeting helps you plan, so that you know beforehand what you really need. Stop making spur of the moment purchasing decisions that you will regret later, and stop building up credit card debt.

Start by setting goals for yourself. What do you want to accomplish in the coming months and years? Good examples of such goals are paying off your debt, affording a down payment on a house

or a car, or completing a year's investment in your child's college education savings plan. Keep your goals realistic.

All of these goals will take time, but taken one step at a time, you can achieve them! When you realize that a budget is a tool to reach your goals, you will be well on your way.

There are several ways that a budget can be set up. Several relatively inexpensive and easy to use software packages such as Quicken or Microsoft Money are available. You can also set up a spreadsheet using Excel. There are numerous personal budget templates available on-line that you can download and modify for your own use. Whichever mode you use, it is important to keep it simple and easy to use.

If you set up a spreadsheet using Excel, I would suggest setting up a separate tab for each month of the year. In the first column, list all the expense categories that you expect to have throughout the year. In the next column, enter the budgeted amounts for the month. In the third column, enter your actual expenses incurred during the month.

Set up a variance column next, and subtract the actual expense from the budgeted expense. This way you will be able to compare what you are actually spending as compared to what you budgeted. I would also suggest setting up a column to show the expenses as a percentage of total income for both the budgeted and actual expenses.

Now that the general template is set up, it is time to start filling in the detail. Start by entering an accurate income projection. Your expenses for the month should not exceed this amount! Next, create a list of categories that fit your spending habits.



