

How To Create a Household Budget

By Charles Hanson

One of the increasingly critical rites of passage from childhood to adulthood is realizing that if you want any certainty in this uncertain world you're going to have to create it for yourself. For most people, those days are long gone when you would get a good job, work for 40 years and retire with a secure pension. As Suze Orman and any number of financial advisors will tell you, you have to have a budget for your everyday living expenses and your retirement. It is never too soon to start.

In fact, speaking of financial advisors, no matter how much money you have it's not necessarily a bad idea to seek one out. This may be someone who works for a brokerage or investment firm, it may be your accountant or lawyer, but with today's complicated finances, most of us need some help to navigate the treacherous waters of savings, investment and taxes. We've all seen the ads on television for everyone from Merrill Lynch to Charles Schwab to Morgan Stanley, but remember these are basically franchise operations. You want to ask friends and colleagues, check references and in general find a financial advisor with a proven track record whom you feel comfortable enough to begin what in the best of all possible worlds, will probably be a long term relationship. If you're not quite ready to take that step, there are plenty of book and computer programs out there at your local retail outlets than can help you set up a budget and keep track of your expenses.

And, as a first step, keeping track of expenses is what you need to do. Start at the first of any month and keep track of every penny you spend. Either use one of the many popular financial planning computer programs or do it the old fashioned way with pen and paper, but write down all the amounts and purposes of all your expenses from rent to your morning cup of coffee. At the end of the month, add these up and you'll have a good idea of how you need to start budgeting. Using your actual monthly expenses as a guide, divide expenses into categories like fixed expenses (rent, insurance, loan or car payments, etc.) that do not change from month to month. Also include an average amount for things you also have to pay but may be different each month including utilities, food, sundries, and so on. Then add an average amount for things that you also normally pay but aren't necessities. These would include cable TV, DVD rentals, eating out, hobbies, that sort of thing. Now, you might even want to add some amounts you need on hand for emergencies or extras. These might be expenses like car repairs, gifts, travel or anything else that might be coming up in the next year. You will now have a pretty good picture of the amount of money you're spending every month and, if it exceeds your take home pay, try taking a look at

your credit card balances and, lo and behold, you may find that's where some of those expenses are going: you are living beyond your means.

Here is where the actual budgeting comes in. What can you do without, what can you make less expensive, what can you negotiate reduced rates on. This can include everything from moving into a smaller house to cutting out the premium cable channels. What you want to do is set realistic goals, meet them, and reevaluate at the end of every month to see how you're doing. You'll be surprised to find out how much money you can actually save when you actually keep track of it and, again, if you find you can't do it yourself, find yourself a good financial advisor and other tools from books to computer programs to the many courses available at your local colleges and universities, to help you succeed.

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