

How to Budget Your Money



Before you can do any financial planning, it is important to examine your *income* and your *expenses*. When you spend more than you earn, you are heading for financial disaster. Calculate every cent you spend daily, no matter how small it is. Everything adds up.

1. **Calculate your regular income.** Count income from wages, tips, interest on savings, child support payments, and any other source of income. Include that of your spouse also. Also consider more variable sources of income. Do you receive regular overtime or a large bonus? Is it guaranteed? Can you calculate average amounts by using past bank statements or pay slips? Try to be accurate and get to an average 'net' (after taxes) income.
2. **Identify your expenses.** First identify your large, predictable expenses. For most people these will be housing, taxes, insurance premiums, and utilities. Then for at least one month, record every daily expense no matter how small the amount. Save all receipts and expenses for one month. Ideally, you need to carry around a pen and small pad with you for one full month. Write down every amount you spend, what it is for and where you spend it. Many people underestimate these small but frequent expenses if they don't keep careful records. Also try to estimate a budget for large, infrequent expenses. These are things like house repairs, insurance deductibles, and purchases like cars and computers. Convert these from estimates like \$12,000 every 10 years, to \$1,200 per year or \$100 per month so you can compare them with the other expenses and income.
3. **Compare income to expenses**-money coming in (income) and money going out (expenses). If your expenses are more than income, you need to take action! Which of the expenses identified above will be easiest to reduce?
4. **Use FinanceWorks.** FinanceWorks is a free tool inside Online Banking that allows you to categorize all your spending and set goals which are automatically updated for you. So you can see quickly if you are overspending in a particular area. FinanceWorks will even send you an email when you're approaching your budgeted goal.
5. **Pay off debt and build savings.** It is important that you commit to eliminating your debt as it will be difficult at first, but will get easier.

Don't rush budgeting. You need to figure out exactly where your money is being spent the most. If you find your expenses are extremely high, compared to your income, you have to cut back on some unnecessary spending. Very few people ever bother to budget, which is why so many people are in debt. Few really realize just how much they spend on worthless expenses.