

BEGINNER'S GUIDE TO BUDGETING:

THE STEP BY STEP PROCESS

1. Assess your income and fixed expenses

Once you have printed out the Beginner's Guide to Budgeting Worksheets, gather up all of your bank statements, checkbook, bill statements, and any other financial information that you think may be relevant. Sit down (with your spouse if you are married), start crunching numbers and complete worksheet number one.

2. Assess your *variable* expenses

Time for a shock. When you create your first budget, you might be appalled to see how in the red things are. Therefore, I suggest you print two copies of worksheet number two and one the first worksheet, write down all the variable expense and totals from the previous month. Compare those totals to your Income minus Fixed Expenses. Is your variable expenses number higher or lower than your total income after subtracting fixed expenses? If it is higher, you have a problem and need to make serious changes to the way you spend your money. Being in the red means that you run out of money before the end of the month and may have to borrow money from savings, a friend, or pay on credit in order to survive. That's not a good thing.

It might seem difficult, but the key to success is to try, and to try again. Now that you have given yourself a little shock value of exactly how you have been spending your money, it is time to create a budget for your variable expenses that actually makes sense. Remember the total, Income minus Fixed Expenses that you determined before? Your variable expenses cannot exceed that number; therefore, create your variable expenses budget around that number.

3. Add it all up

Now that you have created your budget, add up the numbers to make sure everything is in balance. If it is not balanced, go back and repeat steps one and two until you get the numbers to balance out. If there is an expense that is eating up so much of your budget that you cannot get the numbers to balance, it may be time to get rid of that expense. If it is an expense that cannot be easily thrown out, find other expenses that you can cut until you have your budget in balance.

4. Self assessment

Worksheet number four is all about asking yourself and your spouse (if you have one) honest questions about your budget and money management. It might seem weird to ask yourself these questions, but I promise you that they will help you understand how you think about your money. Don't skip this part! This is YOUR life and YOUR budget, you will only get out what you put in. You might be surprised at just how much you ~~spend~~ save.

What surprised you most about your budget?

What are 3 things that you're doing right with your money?

What 3 areas need improvement?

What are 3 things You are willing to give up in order to stabilize Your budget?

What are your 3 biggest budgeting goals?