

# TIPS ON TAKING CONTROL OF YOUR FINANCIAL LIFE

## Basic Training in Budgeting

If you are in control of your money, you can move forward to a brighter financial future and a better quality of life overall.

Many of us do not know how much we earn or where our money goes every month. It's a common mistake. But, budgeting on a monthly basis is the basic cornerstone in money management. Here's one way you can start taking control of your money.

### Calculate your income

Check your paycheck stub to see exactly how much you take home each month. Also check your paycheck stub to see how much is being withheld in taxes, i.e. how much is going toward federal taxes, state taxes, and FICA (social security and Medicare).

### Understand tax allowances

Find out how many tax allowances you are being granted. (Allowances are amounts of money withheld from your paycheck for taxes. You want to balance the amount of your monthly income (what you need every month) with tax payments at the end of the year (how much you might owe). The perfect balance is when you have no extra tax payment at the end of the year and Uncle Sam does not give you a refund for overpayment of taxes.

### Write it down

Write your take-home pay on one side of a ledger or use a computer spreadsheet for easy calculation. Then, write any other income you may have other than your paycheck.

On the other side of the page (or in a different spreadsheet column), write down the amount of each monthly expense. Consider living expenses such as rent and renters'/homeowners' insurance (for many of you this will not be applicable), car payments and car insurance (if applicable), life insurance premiums (take the annual amount and divide by 12 to calculate monthly payment), cable and/or internet charges, credit card payments, cash withdrawals, eating out, entertainment, and any other payments you have to make on a monthly basis (such as subscriptions, clothes, etc.).

Add up column one. Add up column two. Note: column one should exceed column two!

### Consider special expenses

Expenses paid on a monthly basis do not cover all the expenses you might have during the year. There are “special” expenses that are made on a one-time basis during the year. Some of these are predictable; others are not. Mark these down in column three.

First, note the special expenses that are predictable. These might be birthday presents and other gifts, movie and dinner dates, vacation, travel, and so on.

Next, note the special expenses that you can't predict. These might be major car repair (assume \$2,000 if you own a car), travel in case you need to visit a loved one suddenly, a new computer, sudden rise in gasoline if you own a car, etc.

### Add It Up

Now, add up columns two and three. Subtract the total from the total of column one. Column one should still exceed the sum of columns two and three!

### Study It Carefully: Consider Your Options

If column one isn't greater than the sum of columns two and three, you are spending more than you make. (Don't worry. You're not the only one.)

Look at your expenses and identify areas where you might be able to cut back. If you own a car, can you save on gasoline a bit? Are you spending too much on dates? Should you take more advantage of the offerings at the mess hall? Are you coordinating your trips to the ATM to withdraw cash or do you go whenever you feel you need to?

### How A Budget Helps

A budget is a guide that tells you whether you're going in the direction you want to be headed in financially. Your budget is your personal yardstick to your financial health and quality of life. Just as what you do now physically (eating, exercise, rest) affects your health in the future, what you do now financially affects your quality of life overall. The only way to begin is to write it down, study it, and know your spending habits and financial needs. It's basic math.