THE FINANCIAL FREEDOM SERIES

The SIMPLE 60 MINUTE GUIDE TO BUDGETING

DISCLAIMER

No warranty is made by Monty Campbell or Monty Campbell Media, Inc. regarding any information, services or products provided through or in connection with this ebook. Monty Campbell and Monty Campbell Media, Inc. hereby expressly disclaims any and all warranties, including without limitation: any warranties as to the availability, accuracy or content of information, products or services; any warranties of merchantability or fitness for a particular purpose. Some states/provinces do not allow the exclusion of implied warranties, so the above exclusion may not apply to you.

Use Restriction

The material in this ebook is meant to be shared for informational, non-commercial use only.

No Financial Advice

The information in this ebook is provided for education and informational purposes only, without any express or implied warranty of any kind, including warranties of accuracy, completeness, or fitness for any particular purpose. The information contained in or provided from or through this ebook is not intended to be and does not constitute financial advice, investment advice, trading advice or any other advice. The Information in this ebook is general in nature and is not specific to you the User or anyone else. YOU SHOULD NOT MAKE ANY DECISION, FINANCIAL, INVESTMENTS, TRADING OR OTHERWISE, BASED ON ANY OF THE INFORMATION PRESENTED IN THIS BOOK WITHOUT UNDERTAKING INDEPENDENT DUE DILIGENCE AND CONSULTATION WITH A PROFESSIONAL BROKER OR COMPETENT FINANCIAL ADVISOR. You understand that you are using any and all Information available on or through this book AT YOUR OWN RISK.

Risk Statement

The trading of stocks, futures, commodities, index futures or any other securities has potential rewards, and it also has potential risks involved. The information in this ebook may not be suitable for all readers. Anyone wishing to invest in securities should seek his or her own independent financial or professional advice.

Inaccuracies, Errors, Downloads

This ebook may contain inaccuracies or typographical errors. Monty Campbell Media, Inc. does its very best to insure the integrity of the ebook but does not warrant that this ebook or any other material downloaded from www.montycampbell.com are free of viruses or other harmful components. Downloading any material is done at one's own risk, and Monty Campbell Media, Inc. cannot be responsible for any damage to a user's computer system or loss of data that results from the download of any material. Monty Campbell Media, Inc. shall not be liable for any direct or indirect damages arising out of, resulting from, or in any way connected with the use or the inability to use, any delay in, or the performance of this book.

Monty Campbell does not provide personal investment advice and is not a qualified licensed investment advisor. Monty Campbell is an amateur investor.

All information found here, including any ideas, opinions, views, predictions, forecasts, commentaries, suggestions, or stock picks, expressed or implied herein, are for informational, entertainment or educational purposes only and should not be construed as personal investment advice. While the information provided is believed to be accurate, it may include errors or inaccuracies.

Monty Campbell nor Monty Campbell Media, Inc. will not and cannot be held liable for any actions you take as a result of anything you read here.

Conduct your own due diligence, or consult a licensed financial advisor or broker before making any and all investment decisions. Any investments, trades, speculations, or decisions made on the basis of any information found in this book, expressed or implied herein, are committed at your own risk, financial or otherwise.

No representations or warranties are made with respect to the accuracy or completeness of the content of this book. All information presented here is provided 'as is', without warranty of any kind, expressed or implied. Readers are entirely responsible for any actions they take as a result of reading this book.

A WORD FROM MONTY

Using a personal budget is an essential tool for achieving financial freedom.

I always say, “inspect what you expect”. If you don’t know where your money is going each month, how can you put it work for you? You can’t. This is why a budget is so very important.

A budget will help you identify wasteful expenses quickly, and also tell you if you are on track to achieve your financial goals.

This guide is not intended to be a complete resource on budgeting. Rather, it’s meant to be a “booklet” to help you get acquainted with budgeting. I hope that you’ll take this quick tour thru budgeting and then go on to learn more about the process. There’s a lot of information on budgeting at your library and on the internet.

Thanks for taking time to read this guide. To your freedom.

Monty

BUDGETING BASICS:

WHAT IS BUDGETING AND WHY IS IT SO IMPORTANT?

A budget is a future plan of your income and expenses. We use the word “plan” because that’s exactly what a budget is - a plan covering a specific period of time, after which you review and update it. This means that just about any 'planning' you do with the money you are about to get, or already have, can technically be a budget. Yes, if you plan to buy a camera in a few months and set aside money for it every month, it is a budget!

There are three situations for budgets - zero budget, positive budget and negative budget. A zero budget is one where your income equals your spending. A positive budget means you have more income than expenses and a negative budget is where you have more expenses than you do income. In a positive budget situation, it’s possible to build savings as your income is higher than your expenses. In a negative budget, you can’t cover your expenses which means you may go into debt.

For a personal budget, it’s best to have a positive budget. It will make sure that you have enough money to take care of all your essential and your non-essential spending to a certain extent. It can also allow you to set aside an amount for savings. A budget however, is not something that will automatically manage your spending for you. It’s only a forecast of how you intend to spend your money, so sticking to the budget is entirely up to you.

Still wondering why a budget is important?

Think of all the money you earn and where it all goes by the end of the month. A well planned budget can and should take care of your expenses and leave you with extra cash left over at the end of each month.

(continued on next page)

ARE YOU RICH? SPENDING IS KEY

Real wealth building starts when you focus not only on how much money you make, but also on how much money you keep!

Here's an important fact: Most millionaires - folks with liquid assets of $1 million or more - are not big spenders. Quite the opposite, in fact.

According to surveys, the biggest builders of wealth spend far less than they can afford on things like homes, cars, clothing, vacations, food, beverages and entertainment.

The wannabes, on the other hand (people with higher-than-average incomes but not much net worth), are merely "aspirational." They buy expensive clothes, top-shelf wines and liquors, luxury cars, powerboats, all kinds of bling, and often more house than they can comfortably afford.

Their problem is that they're trying to look rich. This can prevent them from ever becoming rich.

Yes, millionaires are frugal. But they're also happy, not to mention financially free. They're not dependent on their families, their employers or the federal government. What a feeling!

If you want to be rich, then don't act rich. Live like a real millionaire and be smart with your money.

DID YOU KNOW?
MONEY IS A SEED

Harv Eaker in his popular book, *"Secrets Of The Millionaire Mind",* reveals a secret with the way wealthy people look at money compared to others - "Rich people see every dollar as a 'seed' that can be planted to earn a hundred more dollars, which can then be replanted to earn a thousand more dollars."

SEED MONEY

It's good to have a set limit on your spending.

Depending on where you are in your life, the years ahead of you may bring more and more responsibilities. Buying a car, getting a house, marriage and children, are just some of the things that will bring on additional expenses. Also, think about charges like electricity, gas, rent, food, household repairs, travel, fees, mortgage; enough to make your head spin! With a budget you can avoid spending on unnecessary things and stay

(continued on next page)

GOALS

What are your financial goals? Do you have debts you need to pay off? Do you want to minimize the debt you graduate with? Are you trying to save for a car, a vacation, or your future? Budgeting means making tough choices, but having a goal will make budgeting a little less painful.

CHECK PLEASE

Do you check your bank account at the end of the month and wonder where all the money went?
Before you can manage your money, you have to know how you're spending it. Use a spreadsheet to track and categorize your expenses for one month. Get in the habit of recording your expenses once a day to see where it goes.

Budgeting Basics (continued):

on track. When there is no plan in place, you can't be intentional in your spending. Also, if you don't make a budget, you will find it difficult to:

- Have control over your income
- Focus on financial goals
- Be aware of where your money is going every month
- Know how much money you really need for expenses
- Calculate how much debt you have
- Plan retirement
- Organize savings
- Have stability during emergencies and other crisis situations

A BUDGET IS A MONEY PLAN

Since budgeting allows you to create a spending plan for your money, it ensures that you will always have enough money for the things you need and the things that are important to you. Following a budget or spending plan will also help keep you out of debt or help you work your way out of it!

BUDGETING
KEEPS YOU ON TARGET

BUDGETING

MYTHS

Apart from just not knowing how, there are many reasons why people don't budget and the 'I don't like to deal with charts and numbers' argument never seems to make sense. Budgeting is a useful way to keep track, manage money and also build savings. Myths are common in budgeting and you might have heard a few of these. Keep an open mind and consider the realities in the following:

Budgets are restrictive and take the fun out of spending
Budgets are neither meant to guilt you every time you shop nor are they designed to make you spend as little as possible. Their whole point is to enable you to save a little and reduce unnecessary purchases. There is no maximum amount to saving, but around 15 percent every month is a good start.

There is no need to budget if you make enough money. Simple economics will tell you that an increase in income will lead to an increase in your expenses. Simply put, you will spend more if you make more!

Budgeting requires heavy mathematical skills. Budgeting does require math skills, but only that of a 3rd grader. Also, there's free software and applications available online that can do the math for you.

(continued on next page)

THE LITTLE THINGS ADD UP

To finish rich, it's important to look at the small things you spend your money on every day and see whether you could turn that spending into savings. Putting aside as little as a few dollars a day for your future, rather than spending it on little purchases such as expensive coffees, bottled water, fast food, magazines and so on, can really make a difference between a large net worth and living paycheck-to-paycheck. It's easy to ignore these little purchases. If you think about it and change your habits just a little, you could actually change your financial destiny!

Make it a habit to save money on things that you do every day, even if it's a few dollars. All that money saved can add up significantly and you can save it or spend it on things that really matter!

SAVING MONEY ON GROCERIES

Make a list before going shopping: They call it impulse buying for a reason! It can be very tough to resist the temptation to purchase extras while shopping. Without a list, you may buy items that you don't need. Even worse is when you forget to purchase the actual item you came to the store for in the first place! If you plan on cooking at home, pre-plan a rough menu and make a list before you go grocery shopping. Getting all that you need in one trip can help avoid another unnecessary trip and also temptation.

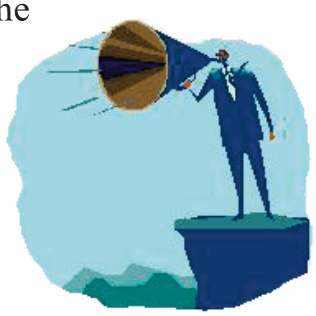
Go grocery shopping while you are in a hurry: Maybe you need to go out in a couple of hours. Or your favorite show is going to be on TV soon. Try to squeeze in the grocery trip in that time. Armed with your grocery list, you could be in-and-out very quickly with little time to get tempted to buy other things.

BUDGETING MYTHS >>>

It's stressful and tiring. Stress is certainly relative. Think about the amount of stress you would have in the last week of the month if your bank balance was zero. There is more stress that goes into thinking of creating a budget than to actually having a working budget!

Budgeting is only for those without secure jobs. In the real world, no job is one hundred percent secure. Big corporations may issue layoffs while small companies may not be managed as well or may even cease to exist if the owner decides to dissolve them.

If you don't have high aims and big dreams you don't need to save. This one is purely based on attitude and your current mind set. You may not want to buy a house or even a car right now. What if later in life you decide to move out of the city and move into the suburbs? You will need some amount of money to have as a basic down payment to get you started. Another thing to consider is the way the market changes. Real estate may suddenly become very cheap and easily within your reach. Saving some money now is always a good plan.



All you need to do is to keep track of how much you spend. This may seem like a good plan until you realize that this will only look at your past and not plan for the future. A budget is designed to manage future spending.

(continued on next page)

A PENNY SAVED IS MORE THAN A PENNY EARNED!

It was Benjamin Franklin who said, “A penny saved is a penny earned.” As important and accurate as he is, that bit of Founding Father wisdom can be improved on by adding, “...and a penny saved today is worth a lot more pennies than a penny saved tomorrow.” There’s another benefit to saving, apart from building your net worth - saving money gives you more control. It gives you more options. It gives you more power to do the things you want to do. You can give more away. You can stress less. You can be ready to strike when a deal comes your way. Saving money can give you the all important power of choice. Freedom is about having the options to do what you want!

Rich people save their money first & spend what’s left over.

It is however, a good way to review your expenses and formulate a budget based on past spending.

If you have no debts, don't worry about it. If you have no debt, great! However, this doesn’t mean you are saving. Having a zero balance at the end of the month is not a particularly good thing. This is because an emergency like an accident or a home repair can easily take you to a negative balance, which means debt.

Budgeting is not for smart people. It is a fine quality to believe in yourself and to trust your intelligence. It’s also nice to think that where your money goes is the only thing that you have to worry about. Unfortunately, there are countless other things that have to be crunched by your brain and it’s just impractical to expect your brain to be able to keep a working budget constantly updated. Budgeting requires a fixed income to match up with your monthly expenses and to also leave you with some money left over for savings.

These are some of the reasons why people hesitate to have a budget or simply refuse to create one. As they say - don’t make an excuse, make a budget instead!

Here's a real simple way to start saving. Open another savings account in a different bank from the one you normally bank at and have your bank transfer a fixed percentage of your monthly income to that account. This way, you won’t physically see the money leave your account and you can rest assured that there is a bit of savings for you in times of need.

BUDGETING: WHEN'S THE BEST TIME TO START?

THERE IS NO INCORRECT TIME TO START BUDGETING AND THE BEST TIME IS RIGHT AWAY!

Budgeting is one of the many financial habits that has no down side and the savings habit begins with a good budget. Let's look at a few reasons why you should begin making a budget right away. You should begin when you are:

Working with limited money

The 'basic money problem' as it is known, is that wants are unlimited and the means to satisfy them are limited. If you're just starting off, funds may be scarce. A budget is a way to channel the 'means' (that is your income), to meet your wants so that they can both work with each other.

Trying to lighten your debt load and solve your debt problem

If you are waist deep in debt and trying to pay off loans, credit card bills, mortgages and a host of other dues, a budget can help. Missed payments can take a bad situation and make it much worse. A budget will help you organize all these bills and put you on the right track. You'll get a clearer picture of where your money is going and where you stand financially.

Working towards a financial goal

Your financial goals can be based on anything that you intend to achieve over the course of your life. It may be a certain goal that you want to reach like getting a house at 31, becoming a millionaire by the age of 40, or becoming financially free by 50. A budget can help you stay on track with your goals.

(continued on next page)

credit cards

Credit cards make money seem unreal. They take the thought process and discipline out of your buying. Before you know it, you can get deep in debt and get further behind because you can't make even the minimum monthly payment. When you pay in cash and watch those bills disappear from your wallet, you become much more careful. You relearn the value of money. You question every purchase, and that's how to master money.

HOW MUCH MONEY DO I NEED TO SET ASIDE FOR MY RETIREMENT?

As much as you can! There is no such thing as saving too much for retirement. Saving for retirement doesn't have to be complicated or difficult. The trick is determining how much money you'll need and developing a plan to be sure you save enough. Here are some of the many factors that will affect how much you need to save:

How many work years remaining. The length of time you work and save will affect how much money you are able to put into savings, and the extent to which you'll benefit from your returns.

Your savings rate. The amount you manage to contribute on a regular basis obviously influences the size of your savings. Consult your budget to see how much you can set aside.

The type of retirement account you choose. Conditions vary depending on the account type you open. Most accounts have a yearly maximum contribution, meaning you can't deposit beyond a certain amount in a given year.

The rate of return. Your money will grow at different rates depending on how it is invested and on market conditions.

The number of years you will spend in retirement.

Planning to retire early

Do you plan to get out of the daily grind earlier than you have to, plan a good twenty to thirty years of free time with the loved ones to do the things you've always wanted to, like travel the world? Retiring early is every one's dream. Planning out the right strategy is important. Putting away money in a savings account is a good start, but may not sustain you in the long run. You have to look into investment alternatives and other ways to make your money grow in the long run.

Trying to make the best use of your money

When you start off, you may be working in a low paying job. Higher pays are on their way, but you will have to adjust your expenses to the pay your making right now. This is one of the key features of a good budget, as it will help you know your reach, your limits and how you can have fun without getting pulled into debt.

THE BASICS OF BUDGETING

Making a monthly budget should by now seem as important as making those visits to your dentist (With much less pain, of course). Now, getting started on the basics is fairly simple. You don't have to remember all the things you learned in Economics nor do you need to be an expert in Excel. All you need is to go through these simple steps to draft your own budget.

Separate needs from wants

As they say, needs can be satisfied, but wants can never be. So, when you get paid each pay period, make a list of all your needs first. Needs are the basics, the things which you cannot do without. Food, clothing and shelter are needs. Then move on to the necessities like insurance, electricity and gas. These are the things that are required by everyone and the first priority obviously goes to them.

There also some other payments that you can't avoid at any cost. Taxes, credit card bills and other payments come to mind. That goes next on the list. After the unavoidable amounts for your savings. You need to set aside a certain amount at the beginning of every month as savings. Lastly are the wants, this is the fun part. This is the amount that you can spend at your discretion. Discretion is the key word here!

Keep it simple

There's really no point in being nit picky here. Counting each and every soda you drink and putting it on the expense list is good for only one thing and that is telling you how many gallons you've had over the months! So form big categories in your budget and fit them all into those categories. Keeping the calculations small can help in the long run. A budget can be as simple as monthly income minus taxes and necessities. The rest is to be divided amongst savings and expenses. This is a basic budget plan. It's as simple as that.

(continued on next page)

WHAT'S CONSIDERED FRUGAL?

Being frugal means:

- Caring about your money, and trying not to waste it.
- Stocking up on your favorite foods when they're on sale.
- Borrowing books from your local library or using Amazon's second-hand sellers, instead of buying every book new.
- Cutting out things which are pricey but that you don't really enjoy.

It's about valuing your money and getting the most from it – ensuring that you get to spend it on the things which you really want.

BUDGETING
BASICS (CONTINUED)

LEAKS

If withdrawals from the ATM machine evaporate from your pocket quickly, it's time to keep better records. In general, if you find yourself returning to the ATM more than once a week or so, it's a good idea to examine where your cash is going.

START NOW

The sooner you start saving, the better. Even modest savings can pack a punch if you give them enough time to grow. Investing just $100 a month for 18 years will grow to $48,000, assuming an 8% average annual return.

Getting out of debt is a priority

In your monthly budget, make sure that you account for paying off your debt. Getting debt-free and saving more is the priority with a budget.

Pay yourself

Paying yourself is basically taking a set amount of your pay and putting it aside as soon as you receive it. You should by now feel the importance given to saving. When this happens automatically, you won't even feel the pinch at the beginning of the month. When you get a raise, increase the percentage sent to your savings. You won't miss this money, as you've already learned to live within your budget.

Splurge responsibly

It is human nature to want to have some fun. It is also important for a healthy mind! There's no point to putting in all those hours of work at the office, if you can't get any fun out of it. So splurge a little, but don't overdo it. Treat yourself within the limits of your plan. In fact, set aside some money in your budget so that you can spend on new clothes, movies, night outs, or even a vacation - all guilt-free.

Don't fall into the minimum trap.

If you just pay the minimum due on credit-card bills, you'll barely cover the interest you owe, to say nothing of the principal. It could take you years to pay off your balance, and potentially you'll end up spending thousands of dollars more than the original amount you charged.

DO SWEAT THE BIG STUFF!

Once you've prioritized your list of savings goals, keep your spending on course. Whenever you make a large payment for anything, ask yourself: "Is this taking me nearer to my financial goals - or leading me further away from them?" If a big expense doesn't get you closer to your goals, try to defer or reduce it. If taking a grand cruise steals money from your kids' college fund, maybe you'll want to go for a weekend getaway instead.

SETTING UP THE BASIC BUDGET >>>

The basic budget has only two things; cash inflows and outflows. Cash inflows are all the things that bring cash into your bank account. They are the income categories on your budget. The cash outflows are all that goes out of your account every month. These are the expense categories.

Cash inflow

How do you get paid? Is it a monthly check or a bi-weekly one? Is it a fixed amount that goes into your account every month? Can it vary on a monthly basis? Are you a freelancer who gets paid for every project from the time you start to finish? Whatever may be the case, the amount that you get paid is pretax. Deduct the tax from it to get an after tax amount. If you are a monthly salary earner, chances are your taxes are already deducted from your wages before being paid out to you.

Apart from your regular salary, there can be a number of additional inflows. Cash inflows can be beneficial to you and enhance your opportunity to save (as well as spend). Here are some of them:

Commissions and raises: Commissions can be given to you as a lump-sum in a particular month. If the company you work for normally pays bonuses and seasonal raises they indeed increase your cash inflow. A promotion or even taking up a new job can increase your income, and with it, your inflow.

Tax returns: The money that's paid by you every check towards taxes can possibly be refunded by the government at the end of the year.

(continued on next page)

SAVING MONEY ON YOUR CAR INSURANCE

To an insurer, you're not a person, you're a set of risks. An insurer bases its premium (or its decision to insure you at all) on your "risk factors", including some things that may seem unrelated to driving a car, like your occupation, who you are and how you live. Know this - insurers differ. As with anything else you buy, what seems to be the same product can have different prices, depending on the company. You can save money by comparison shopping. Insurers provide discounts to reward behavior that reduces risk. However, Americans waste money every a year because they forget to ask for them!

Cars are built better now than in the past, so buying used cars or certified used cars make a lot of sense.

>>>

Getting a refund depends on a lot of things, including the amount of your taxable income. Any amount overpaid by you can be claimed and the government will return it to you. However, payments on your social security and medicare are non-refundable.

Return on past investments and capital gains: You could be receiving some kind of return on an investment you made in the past. This may be from a dividend paying stock that you invested in or an old deposit, which may have reached its maturity. You can also make what is known as capital gains by selling a bond or a stock that you may no longer wish to hold. Either way, this could be an inflow of money.

Sales: Anything that you sell will give you an inflow. You may finally decide to sell off that old painting, which has been hanging on your wall and seems valuable or your second car that you no longer need. Anyhow, these bring an inflow.

Inheritance: It is not unheard of to have a relative or even your own family leave behind an inheritance. This may come in different forms, a house, a piece of property, jewelry, cars, anything. These are all inflows of money.

Interest from savings accounts: All that money you put away as savings will pay out interest and this is a welcome addition to your monthly income.

These are the ways in which money can come into your hands. Your budget works with these inflows. You should also note that not all of these

(continued on next page)

BUDGET SETUP

How to setup a basic budget (continued) >>>

inflows are regular. Don't add expected incomes into the cash inflow. For example, if you are expecting a promotion and you are not sure of it, it will not go into your inflow. What's regular is your salary and some of the above mentioned points like interests from savings accounts and dividends from stocks depending on what kind of stocks you hold. They are usually termed dividend stocks that pay a small amount for just holding them.

The next obvious and logical question here would be, are you aware of all the ways in which money comes to you or are you just glad you suddenly got an extra amount in your account? Free money is always good, right? It is, no doubt, but make sure it is well accounted for and goes into your budget as cash inflow. Having an incorrect budget completely defeats the purpose of having one.

Moving right along, the next half of your budget accounts for the expenses, the cash outflows.

Cash outflow

Cash outflow is the expenses that you incur every month, regardless of the size of the expense. Any outward movement of money from your account is an outflow. It can be for any reason. Outflows can be of two different types: regular and irregular.

Regular outflows

These are the outflows that are expected and usually can't be avoided month-in and month-out. Regular outflows are the basics and have to be paid under any circumstance. Payments like:

Taxes: There are various kind of taxes that you have to pay to the government regularly. A lot of them are paid at the time you use them like tolls, service and sales taxes. The other kind of tax is a direct tax. These taxes have to be paid by you directly like income tax and property tax. Tax payments are mandatory. As a famous comedian once said "you don't get to pay tax, the government takes it from you."

Rent or mortgage: This is the money that goes for your home, and can either be in the form of rent or mortgage. This payment puts a roof over your head.

Groceries: This is your basic food bill, but should cover eating-out as well. This may not be a fixed amount, but can easily be averaged over a few months, if needed.

Utility bills: Electricity, gas, fuel, maintenance on home and so on can be added here. These bills are rarely fixed and depend entirely on personal usage.

Irregular outflows

These are outflows that don't happen every month, but are still bound to happen. They also have a part in the outflows of the monthly budget. These may include:

(continued on next page)

SPENDING BEYOND MEANS

Aim to spend no more than 85% of your income. That way, you'll have the other 15% left to save.

Government figures show that many households with total income of $50,000 or less are spending more than they bring in. This doesn't make them an automatic candidate for bankruptcy - but it's definitely a sign they need to make some serious spending cuts.

Beware of luxuries dressed up as necessities. If your income doesn't cover your costs, then some of your spending is probably for luxuries - even if you've been considering them to be filling a real need.

Medical bills: You may not be visiting the doctor every month. Sometimes doctor visits can be as rare as once a year if you're a healthy person. Minor accidents, falls and other kinds or small illnesses, visits to the dentist are also categorized here.

Insurance payments: Automobile, home and other property insurances are paid only once a year and can be planned well in advance.

Discretionary spending: This can be regular, but not necessarily a need. It includes gym membership, movie theater membership, and magazine subscriptions to name a few. Also in this category will be your gifts, vacationing, buying new furniture, an expensive pair of shoes, you get the idea.

It's wise to calculate long term costs on your discretionary spending. All you have to do is take one items on the list, say the money that goes towards a movie membership and multiply that by twelve, got it? Now multiply that by five, that is the amount which goes towards your movie membership in five years. Can you think of other expenditures like this?

SAVINGS TIP: UTILITIES

Basic home utilities add up so much faster than we realize. Take stock of your cable bill, your internet bill, and your phone bill. See if you can bundle services for greater savings, or get rid of services you are not using.

Watch your electricity usage as well. Especially with energy costs on the rise, turning off those extra lights or adjusting your thermostat can add up to hefty savings.

Any money you can save by doing away with unnecessary utility bills can be used towards paying off your debts.

CUSHION

Build a cash cushion worth three months to six months of living expenses in case of an emergency. If you don't have an emergency fund, a broken furnace or damaged car can seriously affect your finances.

OH WHAT A FEELING!

Saving and investing aren't always as much fun as spending, but each serves a vital role in providing you with a financially secure future. Also, the feeling of financial security is even more fun than spending!

ESSENTIAL
AND NON-ESSENTIAL EXPENSES

Essential expenses are the ones that you need for everyday life. Essentials include food, water clothing and shelter. Food gives you energy, water keeps you alive, clothing protects your body and shelter gives you a place to rest. These are the bare necessities and stripping it all down, the first and biggest reason you earn and make a living. So this is where your money should go first.

However, for the last few thousand years, we all haven't been living in caves! So, we can add a few more items to the list. Electricity, every day travel, fuel, gas, phones, are all essentials as well, as we need them regularly.

The mission of your budget should be that none of these the essential and basic expenses should ever be left unattended. If your cash inflows don't cover them, then you need to make some adjustments. Cutting back on cash inflows is difficult. You can try moving to a smaller place with lower rent or try using public transportation to save on fuel costs, tighten your electricity usage by turning off appliances when not in use and reduce eating out as much as possible. Studies have shown that in the long run you can save up to 8 percent more if you cook at home. These are small things that can help lower your expenses.

It's tempting to think that all non-essential expenses are a waste of money. For example, you may have saved up money over a few months so that you can get your hands on a shiny new laptop. This may seem on the outset to be a waste of money, but if your old one is slow and the software that it runs on is getting phased-out, you may really need a new one. *(continued on next page)*

If you're like most people, you've got a lot of DVDs, CDs, books, and other stuff you're not using just laying around the house. Why not list some of those items on eBay or Craigslist? Commit to start a savings account based on what you make from these sales.

BUDGETING

EXPENSES

Things that take up space and money

Do you have a land line phone, which you rarely use? Do you use up all the data that your internet service provider gives you? Do you have an unlimited internet plan and use very little data? Do you need a hundred different channels on your satellite TV? What about that big old refrigerator taking up a heap of space and consuming all that power? There may be a smaller, more efficient model instead. How about getting appliances serviced and not replaced? You see that sports car in the garage, the gas guzzler, yes that one, do you really, really need it?

If some of these questions made you groan a little, remember this - saving money on non-essentials is a drag, but sometimes you've got to make certain sacrifices to get ahead financially. It's worth it in the long run!

USE A JAR TO SAVE

Put a quart-sized jar in plain view and dump all your change in it every day from purses or pockets. When it's full, take it to the bank or grocery store change machine and put those funds into savings. You can collect $50 to $100 in no time with this strategy. And it's a little less painful than trying to do without something you love.

A SIMPLE BUDGET
& TRACKER

Category	Monthly Budget Amount	Monthly Actual Amount	Difference
INCOME			
Wages and bonuses			
Interest income			
Income taxes			
Total spendable income (sum income and subtract taxes)			
EXPENSES			
Mortgage/Rent			
Insurance			
Property taxes			
Home repairs/maintenance			
Electricity			
Water/Sewer			
Gas			
Telephone			
Groceries			
Eating out			
Credit card payments			
Miscellaneous expenses			
INVESTMENTS AND SAVINGS			
401K or IRA			
College Fund			
Savings			
Emergency fund			
Total investments and expenses			
Zero, over or under budget (spendable income minus investments and expenses)			

TRACKING

INCOME & EXPENSES

SAMPLE BUDGET

The sample budget and tracker on the previous page is a good starting point if you've never created a budget before.

To use the budget, simply fill in the areas for income and then do the same for your taxes. Now, subtract taxes from income to get to total spendable income.

Next, just list your expenses, investments and savings and total them.

Lastly, subtract this figure from your total spendable income to see if you are at zero, positive or negative budget. Hopefully you have a positive budget!

Now, set your expected amounts for each in the Monthly Budget Amount column. At the end of each month, compare these amounts with what you actually earned (income) and spent (expenses and investments) in the Monthly Actual Amount column. Note the difference in the Difference column.

This is just to get you started. As you become more comfortable with budgets, you'll want to add expense categories for detailed tracking.

Keeping a tab on your income and expenses is a vital part of budgeting. Most people who do it, only keep track of their expenses. It's equally important to know where your money comes from. The best way to keep track is on a spreadsheet. If you know how to work with a spreadsheet, it makes the habit easy and keeps the record in an easy format. It doesn't have to be Excel, there are many other software packages and applications that can do the job for you. Online trackers can be accessed from anywhere and this makes the whole job a little less tedious. Just search online for budgeting tools.

Regardless of the available options, the first step is to sit down, spend some time and work out the spreadsheet. Are you prepared to build your spreadsheet? Here is how you go about it!

Income trackers

Income trackers are fairly straightforward and are easy to make. Just put in all your inflows as into groups, as discussed in the previous pages and make sure that there are no mistakes. Over estimating your inflows can create problems. Another important point here is to make sure that only the money that will be positively coming in goes on the list. If you are hoping or wishing or even expecting, don't put it in. After forming the groups, fill in the list and add up everything.

(continued on next page)

Debt is something that's easy to fall into and very difficult to escape from. Think debt-free and remind yourself how good it feels to not be in debt.

SPENDING YOUR SAVINGS

It's always important to have a savings plan, even if it's not a lot. Your company may offer a 401(k) plan. If it matches contributions and you're not contributing, you're missing out on an income stream. Contribute as much as the company matches to your retirement, then set aside another 5-10 percent in a savings account.

This is your emergency money and should only be spent in an emergency. It's the first bill you should pay with every paycheck, no matter what.

TRACKING CONTINUED

Expense trackers

The first step is to categorize. Start off with two lists; a daily tracker and a monthly tracker. Put all your daily spending in it and keep it detailed. Put everything in it including even small spending like candy or ice cream. Update it as you go or do it at the end of the day. If this seems too tedious, just keep all your daily bills in a box and pick a day at the end of the month to fill-in the sheet. The expenses that don't come with bills will present a problem, so just write them down.

Make a list of categories that you spend money on each month and mention all your other smaller expenses in them. Make the list simple, the motive behind creating a listing is to consolidate. Don't put milk, tea, sugar, creamer, cereal, in separate rows, name them as groceries. This will make more sense and will be easier to calculate. If you complicate your list, you won't find the motivation to continue working on it. So, have a list with five or six wide categories. If you don't know where to put a particular expense or the category seems vague, just put in under miscellaneous! A few tweaks and your spreadsheet can do all the math for you!

As always, the essentials take a higher place on the list, so mention them first. The tracker will show you how much, or what percentage of your income goes towards your necessities. Then move on to your non-essentials and list them out. Now you can see if spending on the non-essentials is taking the upper hand.

Calculate how much you are saving. Are you saving enough? You be the judge.

WHEN IN DOUBT, JUST USE CASH!

By using cash instead of credit or debit cards, you can spend a lot less money. On average, people will spend 28% less with cash than with a credit card, and 18% less with cash than if they use a debit card. There are several reasons why this is true: cash creates an emotional connection, such that you actually notice when you spend it. Further if you only spend cash, you know that you can't spend more when you run out. Given that, you are more aware of how much you have left. When in doubt, use cash!

BUDGET GOALS

There is no point in making a budget if you don't achieve something out of it. Creating and maintaining a budget takes a lot of time and effort, and if there's no end goal, then you may not make the effort. Therefore, it's good to have both short and long term goals with your budgeting. A short term goal is something that you want to achieve within a period of six months or a year.

Why have short term budget goals?

There are numerous reasons why you should set short term budget goals and some of them are:

- To reduce debt and keep it from reoccurring
- To start cultivating a savings habit
- To control spending in a specific expense area

Examples of short-term budget goals and how you can achieve them

A short-term goal is one that should span over a period of a year or less. Setting a goal that cannot be realistically achieved within a specified time will do you no good. Being reasonable is key in goal setting.

(continued on next page)

BUDGETING: GOALS

Below is a list of some common short-term goals associated with budgeting:

Paying off an outstanding credit card bill
Is there a particular credit card bill that you would like to pay off? You should definitely concentrate on it before it begins to grow given the high interest rates of credit cards. You can map-out a way to pay it off within the next quarter or six months. If you have a good working budget, you'll actually know when and how to get it paid off.

Set up a 'Rainy Day' fund
Apart from your insurance and your long term savings, it's also wise to have a rainy day fund. This is very similar to your savings, but is one that you would use only in case of emergencies. Say for instance, you have to travel across the country to visit a relative, and your phone or computer just stops working for some reason. What if car breaks down or that you need to suddenly repair your washing machine? Having a cash reserve that you can use without touching your savings will always be welcome in these situations.

Buy that special something you've always wanted
Is there something that you have always gazed at in the mall through the window but never had the cash to actually buy? Is the cost of that ring the only thing that's holding you back from proposing? Everyone has something that have their eye on to purchase in the future. All you need to do is plan it out, include it in your budget, and you'll see that it is not that difficult to get your hands on that 'something'.

It's good to remind yourself that budgeting is not a self-imposed punishment that aims to make you miserable and deprive you of fun. It's just a tool to help you prioritize how you spend your money so that you can always stay on the top of your finances.

Noteable note: Budgeting is simply balancing your expenses with your income.

SET A GOAL

As well as having a clear goal for your savings in mind, give yourself a target to aim for – an actual figure in dollars. Sometimes, this will come naturally from your goal. Other times, you might have to think a bit, perhaps establishing an appropriate amount for your emergency fund. If you don't really have an idea how much you want to save, start with a target of $1,000: challenging, but not unrealistic. Now, you can track your progress towards your total amount. Each time you put a deposit into your savings account, enjoy that great feeling of getting a bit closer to your goal.

SETTING A
LONG TERM BUDGET

If a budget can be useful and give you control over your money every month, think of what it can do for you in the long run. Five years, ten years, have you thought about the retirement years? Your monthly budget may not always match with your long term financial goals. That's because your life course may change. You may even end up in a different country altogether, but that doesn't mean you won't need financial stability. If you like to dream of adventure and our life going off in new, different paths, it can certainly happen. You just need to plan for it.

What is the furthest phase of your life where you can see yourself in the future? A house, your own business, marriage, kids, kids' education, retirement? Does it veer off to another path? If you have just started in your career, you may be unsure about the future, you may not even be sure if the career you've chosen is the right one. These feelings are normal and almost every one goes through it.

Whatever may be the case, the one thing that will not change is your reliance on money. You may become extremely rich, here's hoping you do, but to get there you are going to need a plan and a lot of hard work. Here are some reasons as to why you need a long term budget.

Short term budget will need revision

Even if you do have a good, working budget that takes you through each month and is keeping you on top of your finances, you need to revise and rethink your larger financial goals from time-to-time. Buying a camera or that new guitar as a goal is great for monthly tracking. But you'll want to look far ahead of you in terms of decades for your bigger goals. So you need another, parallel long term budget.

(continued on next page)

A PICTURE CAN HELP

Keep a picture of your financial goal as inspiration. It takes a lot of willpower to stick to a budget and reduce your spending. Try giving yourself a boost by keeping a photo or picture in your wallet, of something that inspires you. When you have the urge to pull out your cards or cash to buy something non-essential, seeing the picture will remind you of the goal you're working towards. Some people find inspiration from their families or children and carry photos of them around to stay on target.

SETTING A LONG TERM BUDGET:

You should look for growth

Your income trend should always be on an upward slope. You will occasionally plateau, but that's hopefully only temporary. The upward trend means that your money supply will improve and your long term goals may seem more achievable in the future.

Debts cannot last forever

It's not possible to be in debt forever and still be happy. If you wish to be debt-free in your later years, it is important that you begin your long term plans right away. You should make sure that all your long term debts are paid off well before you retire. It will be very hard to be looking at heavy loans after you retire, where the only source of income will be your retirement income. So a plan is needed that will keep your money worries at bay in your senior years.

Early retirement is a possibility

Ever imagine throwing away your job and sitting at home with nothing to worry about? Sure you do, but how do you get there? How will you retire while your strength and will is still in you to enjoy the finer things in life? Rush-hour travel and meeting deadlines will certainly lose its charm over time. You may want to travel, hand in hand with your missus, learn a new language, finally finish that book you always wanted to write, learn to play the piano, or start cooking exotic cuisines. All that is a possibility, but only if you plan and set it as a long-term goal.

Running a family requires a lot of planning

Marriage is a wonderful, beautiful bond between two people. You may or may not have children, yet, but their education, a college degree, maybe a master's degree is among the most expensive of all your future expenses. Your children may want to tough it out with loans, but it is always good to be prepared. How about a house? The average age for home ownership is 32. So if you start paying for your home at thirty two years of age, how long will it take you to pay your mortgage before it's paid off? 30 years? 15 years?

In advanced age, health can be a real concern

Have you noticed that the cost of healthcare keeps going up? This might not have been a real concern to you now, but statistics have shown that the average life span has grown longer. Some of that trend is because people are getting healthier, but also because healthcare has advanced tremendously in the last few decades. These new medical advances don't come cheap though, it comes with steep bills and you need to be prepared for them.

It should be noted that everything mentioned above won't obviously happen one after the other. So there's only one thing to do and that is

BUDGETING
LONG-TERM VERSUS SHORT-TERM

VERIFY

While setting up on-line billpay and automatic payments is a good thing because it helps you avoid late fees, be sure to check the actual statement to make sure you were charged the right amount. Data entry mistakes happen.

A GOOD NIGHT'S SLEEP

Before making a big purchase, sleep on it. Your emotional craving for the item may change after a while and you may come to realize that you didn't really need it in the first place.

to be prepared. Creating a long term budget is not unlike short-term ones. The goals just take much longer to realize and are more likely to change over the years.

Short-term spending and long term saving trade off

The debate between long term saving and short term budgeting is one that every person creating a long term budget will have to face at some point. This is because it involves a bit of sacrifice. When charting out a long term budget, think of all the goals you wish to achieve, make an estimate of how much they are going to cost at the proposed time, how much debt you see yourself in and based on these estimates, how long it will take for you to realize your goals. If you find that achieving your long term goals is taking too long, you have to think about the trade-offs that you are willing to make.

Let's suppose there is, on your long term budget a house, two children, travel, medical, and emergency funds, and an IRA that gives you a fixed amount every month. You'll have to consider your short term goals and see which of them can be knocked off the list so that the funds you set aside for them can go towards the long term. You could buy a sturdy used car or service the one you own instead of buying a new one, and the money saved in the process can contribute to your long term goals.

It can be argued that the future is not certain, that nothing can be predicted for sure and that there is no need to sacrifice on things you can enjoy right now in hopes of a 'better life'. The arguments on both sides are valid, but intelligence lies in drawing the fine line between being cautious and frivolous. It is important that you enjoy the present, knowing you have a secure future.

BUDGETING PITFALLS

You might have had prior experience in creating budgets and ran into problems. You don't have to be a financial expert for budgeting and a little trial and error will always go into the process. With that said, here are a couple of common mistakes that people make when budgeting:

Unrealistic planning
This is the most common of all the mistakes and the one that's easy to make. Be realistic about your budget. Don't save so much that you have no money to spend on the non-essentials and don't spend too much and end up in debt.

2.Differentiating between luxuries and necessities
You feel like you can't live without that new phone. When the latest update is out, it has all those new and advanced features and you just can't see yourself living without it. Think again. You need to make sure you haven't shoe-horned a luxury into your budget, calling it a need.

Budgeting is always a "work in progress", so don't get discouraged if some things don' t go as planned. Just adjust and keep moving forward!

IN CONCLUSION: BUDGETING IS KEY TO SUCCESS

It can be a little challenging to start a personal budget. But it's a lot like starting to exercise - you know that it's good for you and you don't think it will be fun. but you find it gets easier as you go.

Always remember that any sacrifices you make now in terms of cutting back on expenses will pay off in the long run. There are no drawbacks whatsoever to saving for the future.

Just remember the four basic ideas of budgeting:
- Stay out of debt
- Save for a secure tomorrow
- Separate needs from wants
- Always keep a financial record

Budgeting is the process of creating a plan to spend your money. Creating this spending plan allows you to determine in advance whether you will have enough money to do the things you need to do or would like to do.

When you actually see the breakdown of your expenses on a budget, you may be surprised by what you find; this process is essential to fully grasping how things can add up.

Creating a budget can decrease your stress levels because, with a budget, there are no surprises. Unexpected car problems or medical bills? That dream vacation your best friends are planning? With a budget, you don't have to panic or wonder if you have the money—you already know.

This sense of financial clarity is important not only in budgeting, but throughout life.