



A 60-Second Guide to Budgeting

Description

Do you get hot sweats, a cold fever, a nervous stomach, or something worse when you peer into your chequing account on Tuesday and find it empty — then realize that payday isn't until Friday?

You're suffering from Paycheque-to-Paycheque Syndrome, a malady that can affect anyone who regularly runs short of money in the bank — regardless of income. Associated symptoms include sleepless nights, high blood pressure, fits of guilt, and denial.

The cure is simple, but it isn't easy. Putting together a workable budget takes time, effort, and discipline. But it doesn't take long to get started on the road to fiscal responsibility. Spend the next minute learning the ins and outs of getting your budget under control:

Make an educated guess (0:60)

Before you get started, make the process more suspenseful and fun by jotting down how much you *think* you're spending on food, entertainment, travel, clothing, charity, investing, etc. Then record how much you *want* to spend on them. That'll put everything that follows into perspective.

Look at your past spending habits (0:54)

This is where it starts getting tough. Look back at your bills over the past few months, and identify where your money went. Don't worry if you can't account for everything you spent — that's typical, and you'll catch that in the next step. For now, just look at what you're spending all your money on. If it's mostly going toward payments on bad debt — things like [credit cards](#) bills or car loans — then you're starting out every month in the hole.

Start gathering information (0:46)

It sounds simple, but it takes a lot of work: For one to three months, record all your financial inflows

and outflows. (One month will do, but a few more will maximize accuracy.) Be sure to account for big expenses that may not occur every month, but are a do crop up with some regularity, such as property taxes. Jot down how much they amount to per month. During this two- or three-month period, save every single receipt you get for any expense. If you don't normally ask for or keep receipts, do so during this period. Also, carry a small notebook to write down any cash transactions. If you spend a few dollars for coffee at a local coffee shop each morning, record each such transaction. If you do some odd jobs for a few extra dollars now and then, record that, too. Smart phones are another great way to account for these transactions and many apps have been developed for this purpose.

Make sure you're accounting for *all* your expenses. Even a \$12 cheque written for a magazine subscription should be counted. As you're classifying expenses, notice that some of them are fixed, while others are more flexible.

Get organized (0:33)

After the information-collecting months are finished, sit down with all your records — the big bunch of receipts, your chequebook, your pay stubs, credit card and bill statements, and that notebook of cash transactions. You'll also want a pad of paper, a pen or pencil, and a calculator. Start making lists of all the inflows and outflows. Group them into categories and total the amounts for each item. For example, you might list all your eating-out expenses and your entire supermarket expenses and lump them together in a "Food" category. Then calculate what percentage of your income is spent on food. (Of course, if you fine-tune things more, separating supermarket and eating-out expenses, for example, that's even better.)

See how you're doing (0:18)

Now, step back and see what you've got. You should be looking at a fascinating detailed record of where your money comes from and where it goes. Compare your actual expenses with your initial estimates and see how close you were. Assess whether you're saving and investing as much as you want to.

Look for ways to improve (0:11)

If you're not happy with the results, the next step is to try to find expenses you can cut back on. You might be able to hit your savings goal simply by cutting out HBO and your subscription to *People* magazine. Buy a water filter instead of endless jugs of bottled water. Use a fan instead of air conditioning. You might be able to save a tidy sum by giving slightly less extravagant gifts. Also, don't assume that fixed expenses are completely fixed. You might be able to refinance a loan at a lower rate, or do a little comparison-shopping to turn up a less expensive insurance policy.

You might even discover that by spending less on some things you don't care so much about, you can spend more on things you care a lot about.

Relax (0:03)

With your budget under control and your future expenses anticipated, you should start to feel those cold sweats and nervous jitters go away. You may even feel a warm glow when you write a cheque without worry. You may positively jump for joy when you deposit a paycheque and find that some of last month's budget is still in the account. You're cured!

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