

## **HOW TO SET UP AND MANAGE YOUR PERSONAL BUDGET**

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American households are struggling to make ends meet with higher gas prices and the trickledown effect on the cost of our day to day household expenditures.

Now more than ever, households are living paycheck to paycheck. An ominous sign of the times are “middle income” families beginning to seek help from the food pantries.

One solution is putting together and managing your personal budget.

1. Review current spending habits.

The first step is to review your bank statement and credit card statements to identify where your money is being spent.

The baseline helps benchmark your current spending habits and it may be necessary to estimate what you have been spending if spending receipts are not available.

2. Create your personal budget by reviewing where you believe you have been spending your money and identifying what changes in spending habits are needed to “balance” your budget.

Your budget is your goal for planning to make the right choices so that your monthly expenditures do not exceed your monthly income.

3. Monitor and keep track of your daily expenditures for three months. Challenge yourself each day for each purchase – Do I really need this? Say no to yourself and begin new personal spending habits.

Be creative – begin planning more home cooked meals and entertainment choices and dining choices that are less costly.

Use coupons to save money on your planned purchases. Be proactive and make your car and home repairs when the problem first arises as well as be sure to do your preventative maintenance on a timely basis.

One basic strategy is to pay all fixed expenses first and then allocate what is left among your variable/ contingent expenses in your budget. To be safe, you need to budget 5% for contingencies to give yourself a cushion for the unexpected and 5 – 10% for retirement for retirement planning to responsibility plan for your retirement.

You need to plan for major purchases by putting money away into savings to buy a new piece of furniture or a new computer.

The purpose of the personal budget is to help you plan for your financial security and retirement in the long run. The real key is to get your priorities identified in your budget. Our society is a NOW/ ME society and we all need to follow the values/ priorities that our grandparents learned from the Great Depression. Do not spend money unless you have it on hand and make decisions that are good in the long term.

	PRESENT (Current Spending) Monthly Amounts	GOAL Personal Budget) Monthly Amounts
<b>FIXED EXPENDITURES</b>		
Rent/ House Payment		
Homeowners Insurance		
Real Estate Taxes		
Gas & Electric		
Water		
Sanitation		
Cable TV, Phone		
Car Payment		
Gas		
Car Insurance		
<b>DEBT PAYMENTS</b>		
Credit Cards		
Other Loans		
Health Insurance		
Life Insurance		
Disability Insurance		
<b>TOTAL FIXED</b>		
<b>VARIABLE CONTINGENT EXPENSES</b>		
Food/ Groceries		
Personal Items (Hair/ Body)		
Household Items		
Clothing		
Car Repairs		
Home Repairs		
Family Gifts		
Donations		
Retirement - 401(k)/ IRA		
Entertainment		
Dining Out		
Work Lunches		
Vacations		
Unexpected Contingencies - 5%		
Savings/ Investments		
<b>TOTAL VARIABLE</b>		
<b>TOTAL EXPENDITURES</b>		
<b>INCOME AFTER TAXES</b>		
<b>DIFFERENCE</b>		