

How do you begin?

- Start with a canned budget worksheet (see worksheet).
- Go through your checkbook or bills for the last two to three months and add and delete categories from the worksheet to fit your expenditures.
- Think about your hobbies and your habits and be sure to add categories for these expenses.
- Go through your pay stubs and calculate your average monthly gross pay.
- For each expense category, try to determine a budget amount that realistically reflects your actual expenses while setting targeted spending levels that will enable you to save money.
- Once you're comfortable with your expense categories and budgeted amounts, enter expenditures from your checkbook from the last month.
- Keep track of cash expenditures throughout the month and total and categorize these at the end of each month.
- Subtotal the income and expense categories.
- Subtract the total expenses from the total income to arrive at your net income.
- If the number is negative, your expenses are greater than your income. Your situation can probably be greatly improved by changing your spending habits.
- If you have a positive net income, transfer most of it to a savings at the end of each month. Extra cash left in a regular checking account has a way of getting spent.
- After you've tracked your actual spending for a month or two, analyze your spending to identify where you can comfortably make cuts.
- Once you've got the budgeting process in place, take an in-depth look at your largest spending categories, brainstorm about ways to reduce spending in specific categories, and set realistic goals
- Update your budget and expenses monthly.



Tips:

- Don't try to fit your expenses into somebody else's budget categories. Tailor the categories to fit your own situation.
- Make your categories detailed enough to provide useful information, but not so detailed that you become bogged down in trivial details.
- Think of your budget as a tool to help you get out of debt and save money, not as a financial diet.