

'B' Word

How to live within a family's budget

For lots of people, budget is a 'b' word. But, learning to use a family budget can help you take control of your family's finances. Here are nine tips to follow:

Tracking your money: Before creating a budget, find out how much money is moving in and out of your household. Keep track for a month. Create a "Spending Log" and an "Income Log." Record all income in the Income Log. Record paychecks (net, not gross) and bonuses, income from garage sales, craft sales, babysitting, sales at consignment shops and any other income your family earns.

Use the Spending Log for all expenses. Record every bill paid. Include monthly amounts you pay for credit card bills and checks you write. Include money put in a savings account or investment that is not automatically deducted from paychecks. Include everything you pay for with cash. Pay attention to little expenses, like lunch money for kids, coffee on the way to work, allowances. Include your children's expenses, unless they pay for them out their own income or allowances.

Assessing: At the end of the month, total your income and expenditures. If you have more income than expenses, use a budget to reduce debts or to plan for college or vacation. If income equals expenses, use a budget to increase the amount of cash available to pay off debts, save for upcoming expenses and to create savings. If your expenses were higher than your income, don't panic. You definitely do need to have a budget to help you get on track.

Creating a family budget: Have a list of unchanging planned monthly expenses. Determine a monthly average for the unplanned expenses in your spending log. Include things you pay annually or a few times a year, such as car registration, license renewal, new glasses, etc. Divide these to come up with a monthly cost. Factor in money you need to save for large expenses such as vacations.

Adjusting your budget: Total your expenses. If your total is more than your monthly income, cut back. Small cutbacks can have a huge impact. Pack lunches for everyone instead of buying, borrow videos from the library instead of renting, take coffee in a thermos to work, cancel magazine subscriptions, raise deductibles on insurance so your premiums are lower.

Consider lifestyle changes. Take less expensive vacations. Carpool. Grow vegetables. Sell one car. Sell your home and buy a less expensive one. Make changes at home that will reduce expenses, like turning lights off when no one is in the room, using coupons, buying in bulk, making your own pizza, having birthday parties at home.

Increase your income. Get part-time jobs. Your children could babysit or mow lawns. Turn a hobby into a money-making venture. Sell things you no longer need.

Reducing debt: Use extra income to reduce your debt. Pay down the principal on loans. Pay with cash instead of credit cards. Pay off the balances on credit cards.

Involving your kids: Budgeting is not taught in most schools, so if you want your children to know how to manage money, you need to teach them. Explain what you are doing and why. Ask them to help track expenses and think of ways to cut corners. Show them the budget and ask them to help follow it. Money isn't such an abstract concept once children see just how much is coming in and how much everything costs. ■

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