



## Get a Grip! Creating and Living With a Family Budget

by Brette McWhorter Sember



### Getting a Grip on Your Finances

Most parents have a general sense as to the amount of money they need to run their homes. Everyone generally knows how much the paychecks are and how much the mortgage or rent and utilities are. But most parents don't have a true sense of how much their families really are spending on a weekly or monthly basis.

Before you can create a budget and develop a plan for your spending, you need to know exactly what kind of money is coming into your household and what kind of money is flowing out. The best way to find this out is to create an income log and a spending log. Take a week or a month (usually the most representative) and hang two big charts on the refrigerator or bulletin board. Label one "Spending Log" and the other "Income Log".

Record every cent of income that comes into your hands on the Income Log during this time period. Record paychecks (net, not gross), bonuses, income from garage sales, craft sales, babysitting, sales at consignment shops and any other way you (and children if they contribute their earnings to the household) bring money in.

Tracking your spending is more difficult. Start with your bills. Record every bill you pay during this time period. Include whatever monthly amount you pay for your credit card bills. Include checks you write for things like the vet, fundraisers, magazine subscriptions and so on. Also include money that you place in a savings account or investment, but only if it is not directly and automatically deducted from paychecks. Write down co-pays for insurance, grocery costs and other things you pay for in cash. Pay special attention to those little expenses, such as lunch money for kids, a cup of coffee on the way to work, children's allowances, money for the football pool at work, change you drop into a donation box and so on. Every penny that leaves your hands must be recorded. Be sure to include your children's expenses, unless they pay for them out their own income or allowances. You will be surprised at how it all

adds up.

If you are trying to wean yourself off credit cards but don't know if you can afford to do so, create a special column for items you charge during this period. Your goal will be to have enough cash to pay for similar expenses without charging them in the future.

### **Assessing Your Situation**

At the end of the month, total your income and expenditures. Keep the charged items separate.

If you have more income than expenses, you are in good shape. You should still create a budget so you can plan out ways to use some of that extra cash to reduce outstanding debts or to plan for upcoming large expenses like remodeling, college tuitions or vacations.

If you come out pretty even, budgeting is a good idea so that you can start to increase the amount of cash available so you can pay off large debts or save for vacations or other upcoming expenses.

If your expenses were higher than your income, don't panic. First of all, it is possible for this to happen, if you are dipping into your savings account or other investment resource to help pay the bills. Secondly, don't panic. Many people find that this is the result they achieve when they track expenses. You definitely do need to have a budget to help you get on track.

### **Creating a Family Budget**

Tracking your expenses gave you a big head start on creating a budget. You know what your major monthly expenses are and you also now know about the little expenditures you are making that add up to a large chunk of cash each month.

Create a list of monthly expenses that are set in stone – mortgage/rent, utilities, student loan payments, car payments and so on. Next you need to determine a monthly average for costs such as medical co-pays, prescriptions, gift-giving, gas, charity and so forth. Don't forget things that you pay yearly or only two or four times a year. Divide these out to come up with a monthly cost. These types of expenses include auto insurance, car registration, license renewal, new glasses, etc. Now add on your miscellaneous expenses, which will come mostly from the list you created when you were doing your expense log. Include costs of meals out of the home, coffee at the office, video rentals, etc. Include a listing for vacation or other big pleasure expenses, so you can see how much you need per month to pay for it.

### **Adjusting Your Budget**

Now total your expenses. If your total is more than your monthly income, start to make some changes. There are lots of ways to cut back in small ways and if you do it in enough places, you can have a huge impact on your budget. Pack lunches for everyone instead of buying, borrow videos from the library instead of renting, take coffee in a thermos to work, cancel some magazine subscriptions, raise your deductibles on your insurance so your premiums are lower. Think creatively and look for ways you can cut things that will minimally impact your life.

Next think about some big lifestyle changes that your family can make. Maybe you could go camping this year instead of going to Disneyworld. Maybe you can

cut back on gift-giving. Try carpooling to work. Grow a vegetable garden. Stop eating meat. You could even sell your home and buy a smaller less expensive one. Look at all of the possibilities and you will find many ways you could cut back in big ways.

Make some changes in your life and home that will slowly help reduce expenses, like turning lights off when no one is in the room, using coupons, turning down the thermostat, buying in bulk, making your own pizza instead of ordering one every Wednesday, having birthday parties at home instead of at a laser tag place.

If all this cutting doesn't give you enough income, then you need to think about ways to increase your income. Maybe someone in the family could get a part-time job. Teens could babysit or mow lawns and contribute to the family budget. Turn a hobby into a money-making venture. Sell things you no longer need, such as baby clothes.

### **Reducing Debt**

Once you have made enough changes so that you can find some extra income in your budget, think about how you can use it to help reduce your debt. Put some of the money towards paying down the principal on a student loan, mortgage or car. Start paying cash for things instead of charging them. Pay off the balances on your credit cards. This will improve your long term financial future.

### **Plan for the Future**

Once your expenses and income at least balance, start to think about your future. Do you want to save money to pay for your children's college costs, do you need to start thinking about retirement, should you think about replacing your furnace? Decide what you need to plan for and then make room to save a little bit each month in your budget. It's not so hard to cut back on entertainment expenses when you know you are saving for something really important.

### **Involving Your Kids**

It's important to involve your kids in every step of the family budgeting process. Household budgeting is not a course taught in most high schools, so if you want your kids to know how to manage money, you need to teach them.

Explain what you are doing and why. Ask them to help track expenses. Kids love to rush home and write down the \$9.25 you spent at the fast food drive-through. Ask them to help think of ways to cut corners. Instead of feeling deprived and depressed about cutting back, make it a family project. Kids will have fun thinking of ways to cut back and substitute less expensive options. For example, they may be excited about making some homemade gifts at the holidays instead of shopping or mixing up some lemonade instead of drinking soda.

Show your kids the budget and ask them to help you follow it. Money isn't such an abstract concept once kids see just how much is coming in and how much everything costs.

Remember that a budget is like a diet. It's best to stick to it most of the time, but sometimes you can go off it. Just find ways to compensate on other days to make up for it. Developing and maintaining a family budget can help all of you understand and work with money better.

Brette McWhorter Sember is a mom of two and author of "*The Complete Credit Repair Kit*" (Sourcebooks, Nov. 2008), which contains extensive budgeting information. Visit her website at [BretteSember.com](http://BretteSember.com).