

# Give Your Budget a Check-Up



Everyone is looking for ways to successfully make their dollar stretch during these tough economic times. Find out what you can do to give your budget a check-up. Know where your money is going and how you can do a better job of saving.

## Step 1: Know where your money goes

The first thing you need to do is find out where your money is going. Track everything you spend. One way you can do this is keep track of receipts: all of them. Gather your receipts at the end of a week and sort them into groups. If you use a debit card often, you can check your bank statement to see where you're spending. Be sure to include everything - from cash and credit card expenses to online banking and automatic withdrawals. Keep receipts in an envelope or record them as you go on a spreadsheet.

## Step 2: Create categories

After a month of tracking your expenses, find out what groups you have. Some groups may be: home, auto, food, household, debt, clothes, pets, entertainment, and charity. Don't forget savings! Add subgroups as needed. For example, House may have mortgage, insurance, utilities, etc.

## Step 3: Calculate your net income

Gross income is the amount you earn before taxes and other payroll deductions. Net income is your take-home pay after taxes and other payroll deductions. Your net income, the amount on your paycheck, is what's used to make your budget.

To calculate your annual net income, you need to know how often you are paid: weekly, bi-weekly, semi-monthly, or monthly.

- If paid weekly, multiply your take home pay by 52
- If paid bi-weekly, multiply your take home pay by 26
- If paid semi-monthly, multiply your take home pay by 24
- If paid monthly, multiply your take home by 12

This will provide you with your NET ANNUAL INCOME. To determine your NET MONTHLY INCOME, divide your NET ANNUAL INCOME by 12. Use this amount on your budget form.

## Step 4: Determine your most important categories

Make sure you put necessary expense categories such as mortgage or rent, utilities, and insurance at the top. Follow these with important expenses such as food, car fuel, or household. Add flexible expenses such as entertainment at the bottom. If you have debt, this should be at the top of your list.

## Step 5: Fill in your actual expenses

Fill in expenses that have set amounts first. For example, mortgage or rent and car payments are expenses that you pay the same each month. Include all debt in your "must pay." Fill in other necessary expenses next. See what you have left. Don't forget savings!

## Step 6: What do you really need

If you find out that you're spending more than you're bringing home, you need to look at what you can get rid of or reduce. Maybe you need to sell one of your cars to bring down your auto insurance and fuel costs.

Think about what your real needs are. Can you cut back on your cell phone minutes or take a break from other luxuries? The goal is to get your finances under control.

## Step 7: Stick to your budget

This may be difficult, but you can do it. Live by the new budget. Remember, if it's not in your budget, don't spend it. If it's an unexpected emergency like a car repair or medical expense, then you must take money out of another area in your budget that month. This is also why it's important to include savings in your budget: for emergencies. If you overspend one month, find out what happened and try to stay away from or adjust for that expense the next month. You can do it.

## Key savings tips

These tried & true tips will always be helpful in successfully keeping your finances in check:

- **Build an emergency savings account** with at least six-to-eight months of income.
- **Get credit cards and other debt paid off**, then live within your means.
- **Check your progress through the month** to make sure you know how much money you have to spend.
- **Use a computer spreadsheet** and set up a total of the columns you're filling in. You'll see right away whether you've gone over your target amount.
- **Pay off credit cards each month.** Don't put anything on a credit card that isn't already in your budget. If you can't do that, then cut up the credit card.
- **Don't neglect giving.** Even if it's a small amount or just volunteering your time, it can make a big difference. When we give to others in need, whether it's through your church giving or to other charities, giving helps us see the bigger picture. It's about more than just "me." There's always someone who is less fortunate than you are.

## About the author: Jamie Turner

Jamie Turner is a Human Capital Leader at Humana. She joined Humana in 2008 to lead the development of the "My Money, My Health, a Guide to Financial Fitness" program. She has 14 years' experience in financial services, human resources, and organizational development. Jamie has a BBA from Marshall University and an MBA from Point Park University.