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# Foreword

Most people are weary of budgeting due to the wrong perception that budgeting would mean having to stop spending on non essentials and concentrating only on essentials. This of course is furthest from the true as budgeting really allows the individual to properly manage his or her account so that a comfortable living can be carved out. Get all the info you need here.



## ***Braving Budgets***

How To Better Your Finances By Budgeting

# Chapter 1:

## *Budgeting Basics*

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### Synopsis

Learning to budget simply means learning to track spending habits to ensure less is going out and more is staying in. This would help not only in the short term but also in the long term financial health of an individual.



## **The Basics**

The budgeting exercise should not be limited to people having problem with their finances per say but it should be inculcated from a very young age for every individual.

The budget exercise allows every individual with an income and expenses portfolio to make decisions about how they can best allocate the income to serve the expenses and yet leave some for the future, which may include a suitable retirement plan, a healthy savings plan or just about anything that won't break the bank.

Budgeting helps to create a very visible short term expense scenario, which would include the payments of monthly bills and commitments.

Then there is the midterm budgeting scenario which may include holidays, buying a car and other commitments that don't require more than a few years to pay off.

The most commitment demanding budgeting is the long term one where fixed funds are set aside for retirement plans, purchasing of property, children's education programs and such where the committed amount is significant and has to be sustained for a long period of time.

Having a spread sheet drawn up which reflects the current income, projected income and corresponding expenses and future possible

commitment will give the individual a better overview of how to wise work out a suitable and manageable budget.



# **Chapter 2:**

## ***How To Create A Budget***

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### **Synopsis**

Taking the time and effort to sit down and concentrate on creating a budget usually sounds like the most demanding and unexciting thing. No matter how it is argued creating and sticking to a budget will eventually help keep an individual financially healthy. It is important to note that the more accurate information is forthcoming the better and more realistic the budget planning exercise will be.





## **How To Make It**

Withholding information or presenting distorted and incorrect information will not benefit in any way and will only end up frustrating all parties when the said budget does not work.

The following are some tips on how to go about creating a budget: Compiling all financial statements available for close scrutiny. This should include bank statements, investment accounts, utility bills and any information of sources of income and expenses.

The idea behind this exercise is to be able to create an average monthly spread sheet so the more detailed the information the better.

Keeping an up-to-date version of all sources of income is the next step to be taken. This may vary for those in the self employment sector or for those in business. However for all types of income taking into account the monthly total income amount is what is needed.

Next there should be a very detailed list of monthly expenses created. Every detail should be included no matter how small or seemingly insignificant it maybe.

The item included should be the likes of mortgage payments, car payments, auto insurance payments, groceries, utilities,

entertainment, dry cleaning and laundry expenses, auto insurance, retirement, college allocations, saving and essentially anything and everything that the individual spends on.

Total both the income and expenses based on monthly calculations and then make the adjustments where necessary, especially if the expenses are more than the income. Make cut back or cut out wherever possible.



# Chapter 3:

## *How To Have Budgeting Success*

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### Synopsis

Most people are afraid to attempt to budget because of the misconception that the resulting outcome of the exercise would be high stress levels.

However if done in a proper manner budgeting exercise can not only be easy but surprisingly pleasant and experience. This is more so if the budgeting exercise can clearly show a good amount of saving possible without having to stave one's self of the little pleasures in life.



## **Doing It Right**

The following are some practical suggestions anyone can try:  
Keeping the budgeting exercise as simple as possible is one sure way to encourage enthusiastic participation.

Don't categorize too much but remember to still maintain some semblance of accuracy. Having 2 – 5 categories would be ideal for working out a good budget easily.

Be descriptive in categorizing everything accurately. Avoid using terms such as miscellaneous and others as this would tempt the individual to justify random items that are more frivolous spending than wise spending.

This can also contribute to the scenario of not having adequate knowledge on how and why such expenses were needed to be incurred.

Tailor the budget to adequately fit the needs of the parties concerned. Using example from others is a good idea but copying without proper thought or consideration would render the so called tailored budget useless.

Have a specified amount for personal needs and sudden expenses clearly outlined and do not under any circumstances waiver from it. Also there is no need to always spend this amount as it can be

accumulated and kept aside for possible indulgence sometime later.

Make provisions for major expenditures that would be necessary during the course of the year. Examples of which might include cost of major car repairs, replacing of major household items, cost incurred for major house upkeep exercises and other expenses that would be considered out of the norm yet necessary and costly.



# **Chapter 4:**

## ***Using A Budget Worksheet***

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### **Synopsis**

A good and practical budget worksheet starts with an honest and open assessment of the monthly expenses of the business. This can only be done with accurate and precise information of all regularly occurring expenses, including any money that is spent of seemingly insignificant things.



## **Keep Track**

On the budget sheet indicate in the relevant categories all the required information needed and for those categories that do not apply to the particular business practices simply ignore.

If there are categories that exists within the business but are not categorized in the budget worksheet, simply add them on at the bottom of the sheet where there is always adequate space provided for such additions.

For property tax, auto insurance and any other expenses that don't normally fall into the monthly billing category take the total cost of it per year and divide it by twelve and then add it into the budget worksheet projections.

In the preliminary stage calculate only minimum payments required to satisfy the debts incurred as this can eventually be built upon as the surplus amount becomes healthier.

For expenses such as entertainment, groceries and eating out, use a separate spread sheet to work this out based on any previous information which should have some form of consistency.

Once this has been done the overall building budget worksheet should be fairly complete thus creating the platform to determine if the current scenario is compatible with the income shown.

At this point the individual would then be able to make decision in a more informed fashion based on all the relevant data presented in the budget work sheet.

Using other examples to help the individual throughout the exercise would be advised as this can assist in giving the individual an idea of where and how to make adjustment in order to still be able to enjoy peace of mind.





# **Chapter 5:**

## ***About Overspending***

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### **Synopsis**

Most people today have a lot of financial problems due to overspending. This is not a phenomenon that just occurs and cannot be controlled, on the contrary with a little bit of focused effort and some know how anyone can overcome this problem effectively and move on to live less stressful lives.



# **Spending**

The following are some tips on how to effectively combat this and turn the situation around:

Be aware of how much is being spent at any given moment. People often don't keep track of their spending habit until they are hit with the bill at the end of the month. These especially so when credit cards are involved.

Avoid the impulse spending lifestyle. Most impulse buying sprees are done on a whim and without actually thinking it through in terms of if the particular item is really needed or not.

In most cases the items are either used for a short period of time or not at all. Try waiting a day or two before actually committing to the purchase, by which time the individual would have had the time to reconsider the necessity of the purchase.

Don't spend time in places where the urge to spend is dominant. Some people go to shopping malls when they are bored thus the uncontrollable urge to spend becomes more dominant.

Have clear objectives when going out shopping. Try writing a list of things that are needed before actually stepping out.

This will help to keep the focus away from frivolous spending and more on the essentials needed.

Consider the purchases that are currently being made and if they are being made simply out of habit.

Most people don't realize just how much they buy out of habit and this could one of the contributing factors to the overspending characteristic.



# Chapter 6:

## *How Using Cash Helps*

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### Synopsis

It seems to be quite normal for most people today to conduct any sort of transactions without actually using cash. This can be quite a convenient way of making purchases but it does have negative connotations if the spending goes out of control which in most cases it does.



## **Final Tips**

One of the more popular ways today of making purchases is with the use of credit cards. Because there is no physical exchange of cash the possibility of over spending is very real indeed.

A lot of seemingly small insignificant purchases can snowball into huge bills if left unchecked. Trying a simple experiment of keeping a specified amount in hand for a set period of time, like a week and then by observing just how fast that amount disappears when purchases are made will give the individual a clear and more often than not just how shockingly fast the money can be used up and even worse on things that weren't necessary to start with.

In doing this simple exercise one will be able to be more aware of just how much is being spent and on what. It also allows the individual to adjustments to curb the unnecessary spending urges on items that could otherwise be swapped with diy elements, which may include bringing one's own lunches to work a few times a week, not buying that coffee three times a day, not spending on the magazine which won't really be read cover to cover and so on.

In the end the individual will be able to better understand his or her spending habits when cash is being used instead of the very deceiving convenience of other cashless means of payments. This will also create the opportunity for the individual to design a budget that is

both realistic and meaningful not to mention cost effective and perhaps a substantial left over amount for savings.



# Wrapping Up

Remember the most commitment demanding budgeting is the long term one where fixed funds are set aside for retirement plans, purchasing of property, children's education programs and such where the committed amount is significant and has to be sustained for a long period of time.



