

# Financial

# MANAGEMENT



**A good financial plan is a road map that shows us exactly how the choices we make today will affect our future.**

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## **Budgeting:**

Budgeting lies at the foundation of every financial plan. It doesn't matter if you're living paycheck to paycheck or earning six-figures a year, you need to know where your money is going if you want to have a handle on your finances. Unlike what you might believe, budgeting isn't all about restricting what you spend money on and cutting out all the fun in your life. It's really about understanding how much money you have, where it goes, and then planning how to best use those funds.

The first step in creating a budget is:

- Determine how much income you have. This is quite easy and typically only requires you to take a look at your pay stub
- Now that you know how much income you have coming in, it's time to take a look at your monthly expenses. Start with the regular and fixed payments you have, such as your mortgage or rent, car payments, insurance, debt and taxes. For most people, these are going to be relatively fixed, meaning you can't easily change the amount that is due each month.
- After you've listed your fixed monthly expenses, it is time to dig deeper to find out where the rest of your money goes. Take out your checkbook or pull your latest bank statement to help you with this step. Jot down how much you spend on things like utilities, groceries, entertainment, subscriptions, and so on.
- You should now have all of the information needed to help you create your budget. So, go ahead and total up your monthly income and all of your monthly expenses. Subtract your expense total from your income total and

you'll have either a positive or negative number. If you have a positive number, congratulations, you are spending less than you earn. Don't worry if you have a negative number. The whole reason for creating a budget is to identify deficiencies and find out how to address them.

- Now that you can visually see how much you fall short, you can adjust your spending or saving in certain areas to improve the situation. Oftentimes you'll realize that by just making a few small adjustments to your spending habits, you can significantly improve your situation. Maybe this means cutting back on one of your magazine subscriptions, eating out one time less a month, or even just hitting the matinee instead of the prime time movie. Typically, just saving a few dollars here and there can be enough to not only make sure you spend less than you earn, but also apply a few extra dollars to things like high-interest credit card debt or your retirement savings.

## **10 Easy ways to save money!**

1. Cook at home often
2. Make a list before going shopping
3. Buy in bulk whenever possible
4. Buy generic products whenever possible
5. Pay your bills on time and avoid late fees
6. Avoid credit cards with annual fee
7. Avoid impulse buying
8. Be aware of your bank balance and avoid over draft fees
9. Consolidate and pay off debt as soon as possible
10. Ask yourself if your purchase is "a need" or "a want"

