



## Financial Tool #1 - The Budget

*"Budgets are what separate the financially successful from the financially mediocre."*

Mindy Cray

Think of a budget as a brake. To become financially successful, you have to spend less than you earn. To control our spending, most of us need some form of a brake, a reality check as to how much we actually have and how much we spend. Otherwise, it's very easy to rationalize away excess spending or not even realize why we live from paycheck to paycheck.



What is a budget? It starts with a goal. If you don't have a reason to budget, you won't stick with it. But finding a goal is as easy as saying I want sufficient resources to retire, or, I want to be able to buy a new car in two years. Since our lives tend to revolve around money, finding a reason to use it more efficiently is typically not the problem. Make certain your goal is SMART - **Specific, Measurable, Achievable, Relevant, and Time Framed.**

The next step is to answer Where does my money come from and how much is my income?

Now you need to know where your money goes. Basically, this is tracking your expenses. These typically fall into three categories. **Fixed Needs** might include rent, phone bill, loan payments such as for a house and/or car, insurance, etc. **Variable Needs** are necessary expenses that might vary from month to month such as food, gas, etc. **Wants** might include clothing, entertainment or personal possessions.

Add up your income, subtract your expenses and the resulting number is the amount you have left for saving to meet your goals. Now you can go back into your income and expenses and look at ways you can increase the amount of money you can put toward making your goal a reality.

While putting a budget together can be as simple as two columns of numbers on a page, to really understand and control your finances, it helps to be able to analyze your spending trends and to track expenses as painlessly as possible. Fortunately, technology offers a number of aids. An internet search for "personal finance software" or "best budgeting software" will bring up a host of solutions. One top ranked program is MINT, which offers the advantages of ease of use, ability to import spending records directly from your accounts, and free. But there are a number of other solutions that may fit your needs better at relatively modest costs.

Unless you take the time to understand your income sources and how you spend your money, you can never truly control your finances. Without the solid information that comes from budgeting, you are just guessing. Make financial success your goal and take control of your money.



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