

Budgeting and Money Management – How to Cut Expenses and Live Within Your Means

Note: Listen Community Services offers budget counseling (448-4553) and Tri-County Cap (443-6100) offers a comprehensive Rental 101 Class that covers topics such as: budgeting your finances, apartment hunting, understanding a lease, conflict resolution, tenant rights, etc. In addition, **be sure to review all the cost cutting tips provided on the Human Services Department web page.**

If your finances are limited, or even if they are not, always remember there are “wants” and there are “needs” and you can modify your spending habits in order to live within your means and make appropriate choices for yourself and your family in order that you are self-sufficient.

“Needs” are costs associated with shelter, electricity, food, prescription medications and medically necessary telephone service. Everything else is a “want” or a convenience item (cell phone, cable/satellite TV, internet service, even a vehicle if public transportation is available). You can eliminate or reduce what you spend on the “wants” and save that money to spend on your “needs” until your finances can comfortably accommodate the cost of adding the “wants” back into your budget.

Here’s how:

1. Figure out where your money is going: identify your income and your expenses (where you are spending your money and on what).
2. Keep receipts for every purchase and expenditure for at least one month. Decide which expenses are “needs” and which are “wants” based on the definition above.
3. Start a journal or tally sheet (see below) showing items 1 and 2 above (even the little expenses like picking up coffee on the way to work).
4. Soon you will become very aware of where your money is going. See how quickly the smaller expenses and/or the “want” expenses add up over the month.
5. Add up the “want” expenses to see what you could be saving each month and modify your spending habits to suit what you can actually afford.
6. Once you understand how you have been spending your hard-earned money, and ways you can potentially save, this would be a good time to establish some goals:
 - a. Establish a realistic budget for yourself and stick to it.
 - b. Spend some time and decide on the most important goals for spending your money. These goals should include items that will provide for your needs and bring you happiness.
 - c. Identify fun ways to spend your time that are less costly and limit the more costly vacations or weekend excursions to what you can afford.
 - d. Start a savings account. Put away 5% - 10% of your weekly income. If you have the ability to set up an account and have this percentage taken directly from your paycheck and placed into that account, you will quickly find that you can work with what you have. The account can be considered rainy day fund on the off chance you are out of work for a period of time or if you encounter an unanticipated expense.
 - e. Talk to your local bank about beginning a college savings account for your child.
 - f. Set up payment plans with any creditors.
 - g. Pay off loans.
7. Continue tracking your expenses. This will help you stay true to your newfound spending choices. It’s not how much you make, it is how you spend it that counts.
8. Revisit your budget and your goals monthly and modify according to your goals, income and needs.
9. Create a yearly plan of expenses so that you may incorporate the expenditures that occur only a few times per year (license renewal, car registration, Christmas, birthdays, income taxes, summer camp, etc.)

Below you will an example of how you might tally up your expenses. This expenditure model considers a single parent with one child. The tally sheet shows this person is in a constant deficit situation. Note how much money could be saved by eliminating, or at least reducing, the “want” items. Sometimes these daily expenses don’t seem like much until you actually track them. In this scenario there was no allowance for school loans, a vehicle payment, insurance, gasoline or car repairs– this would have increased expenses exponentially. There is no consideration for child care either, this assumes the child is in school all day during the school year, however, some arrangement would need to be made for school vacations (childcare, camp, etc.)

Date	Expense (need)	Expense (want)	Income
Week Ending Saturday 6/6/09	Rent = \$750. Child’s shoes = \$30 Monthly Prescription @ \$4. each using pharmacy savings plan x 3 = \$12. Groceries = \$100. School lunch = \$15. Laundry = \$12.	Coffee = \$1.50 x 20 work days = \$30. Morning bagel/donut - 3 days = \$4.50 Take-Lunch 2 days = \$18.00 Soda/Juice at work = \$7. Take-out Pizza for the weekend = \$20. Movie Rentals = \$15.	Child Support = \$100. Pay Check = \$350.
Week Ending Saturday 6/13/09	Electricity = \$80. Groceries = \$100. School lunch = \$15. Laundry = \$12.	Coffee = \$1.50 x 20 work days = \$30. Morning bagel/donut - 3 days = \$4.50 Take-Out Lunch 2 days = \$18.00 Soda/Juice at work = \$7. Gym pass, 1 day = \$15.	Child Support = \$100. Pay Check = \$350.
Week Ending Saturday 6/20/09	Groceries = \$100. School lunch = \$15. Laundry = \$12. Fuel heat budget plan = \$172.	Coffee = \$1.50 x 20 work days = \$30. Morning bagel/donut - 3 days = \$4.50 Take-Out Lunch 2 days = \$18.00 Cell Phone = \$80. Candles, photo frames, new bathroom accessories set, other “want” items purchased at department store = \$50.	Child Support = \$100. Pay Check = \$350.
Week ending 6/27/09	Groceries = \$100. School lunch = \$15. Laundry = \$12.	Coffee = \$1.50 x 20 work days = \$30. Morning bagel/donut - 3 days = \$4.50 Take-Out Lunch 2 days = \$18.00 Cable/Internet/Home Phone package = \$120.	Child Support = \$100. Pay Check = \$350.
Month Total	\$1,552.00	\$524.00	\$1,800.

Total Needs: \$1,552.00
Total Wants: \$ 524.00
= Total Expenses: \$2,076.00

Total Expenses: \$2,076.00
Total Income: \$1,800.00
Difference of: \$ - 276.00

Determination: the current income does not support the current expenses. This person must modify their spending habits.