



## Budgeting: Why It's Not the Dirty Word You Thought It Was

Some people consider the "b" word to be a dirty one: bringing to mind deprivation, boredom and Ramen noodles. Budgeting actually gives you the opportunity to set aside money for vacations, pay down debt so you'll be free of interest charges, and accomplish life goals like buying a home or retiring early.

### 1. Track your spending.

Where does all that money go? For one month, keep your receipts and/or write down all your purchases so you can get a good idea of where your money goes. You may be surprised by how much you spend on lattes, bottled water, vending machine treats, and other extras.

### 2. Know your income.

This is usually the easy part. Make a list of all your income sources like salary, rental properties, gifts, dividends, etc. After all, the amount of money that comes in determines how much can go out.

### 3. Set saving and spending categories.

Start by listing all your fixed expenses like the roof over your head and the heat in your home. Variable expenses like food and entertainment are more flexible. Use your month-long tracking exercise to help you assign a dollar amount to each variable expense. Then, add it all up!

### 4. Compare income and expenses and make adjustments if necessary.

This step can be a real eye-opener. If your income exceeds your expenses, you're in good shape. If, on the other hand, your expenses are more than your income, you need to make some adjustments.

### 5. Stick to it.

To get your spending under control, you must stick to your budget. This doesn't mean you can't have any fun, though. In fact, if you don't build in some money for life's little pleasures, you might not stick with your new budget for long. And remember, your budget isn't set in stone. As life changes occur, you'll need to alter your spending plan.

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