

Topic of the Month

Spring Clean Your Budget!

QUESTIONS? Contact ANH at 1.800.556.1548



Spring Clean Your Budget!

Spring is in the air and for many this means spring cleaning is just around the corner. This year, in addition to cleaning up around the house, why not clean up your budget? You'll be surprised at the amazing results.

Now is the time to get rid of those old bad spending habits and start fresh with new budgeting skills. Before you know it, your financial savvy will be in full bloom just like those beautiful flowers in your neighborhood!

The main reason people put off setting up a budget is because they think it's too hard. It doesn't have to be a sacrifice if you take simple steps. Find a way to budget that will fit your lifestyle. Here are some easy ways to get started:

- 1. Use a Calendar:** Use a calendar to write when money is coming in (pay, retirement, etc.) by date, and write down when bills are due as they come in. Mail payments at least one week before the actual due date to avoid late fees or pay them online. If you get paid every 2 weeks it may be easier just to pay all of the bills on payday that are going to be due before you get paid again. That way, you'll just pay bills every 2 weeks and everything always gets paid early.
- 2. Track your spending:** Use a tracking sheet to write where you are spending all of your money. Write down all cash spent by the category in which it is spent. (When using a check, write in your checkbook how money was spent.) Keep your tracking sheet at home, in your car, or in your wallet - keep it where you will use it. It may be easier to use it daily than to try to remember what to write later.
- 3. Develop a Spending Plan (Budget):** At the beginning of the month, use the first column to write planned spending. Once a week, list in a column what you really spent using the amounts on the tracking sheet and in the checkbook. At the end of the month, subtract the amounts spent from the amount planned.

A difference is normal - seeing it helps make planning decisions. Use a spending plan (budget), to decide and list where to spend money. Plan for expenses that do not occur each month by taking the yearly cost and dividing by twelve months, then list it on your monthly spending plan.

- 4. Savings Account Ledger:** Use a savings account for periodic expenses to save in your spending plan: **A)** Set aside money each month for planned expenses like car tags and clothes. For example, to plan \$300.00 per year for car maintenance, divide by twelve: plan to save \$25.00 per month. **B)** Save money for emergencies. Set an initial goal of one month's income and then build from that point (three to six months recommended). **C)** Save money for goals: a new car, a house, a vacation, or college. **D)** Save money to make long-term investments for the future.

Just by making a few small steps, you can learn much about your spending habits and where you may be able to cut back. There is no better time to shed those bad money habits and start clean with a new budgeting attitude.

Why Budget? Twelve Reasons Budgeting Can Improve Your Life:

1. A budget is a guide that tells you whether you're going in the direction you want to be headed in financially. You may have goals and dreams but if you don't set up guidelines for reaching them and you don't measure your progress, you may end up going so far in the wrong direction you can never make it back. Can you imagine the government or a major corporation operating without a budget? No, and neither should you.
2. A budget lets you control your money instead of your money controlling you.
3. A budget will tell you if you're living within your means. Before the widespread use of credit cards, you could tell if you were living within your means because you had money left over after paying all your bills. The use of credit cards has made this much less obvious. Many people don't realize they're living far beyond their means until they're knee deep in debt.
4. A budget can help you meet your savings goals. It includes a mechanism for setting aside money for savings and investments.
5. Following a realistic budget frees up spare cash so you can use your money on the things that really matter to you instead of frittering it away on things you don't even remember buying.
6. A budget helps your entire family focus on common goals.
7. A budget helps you prepare for emergencies or large or unanticipated expenses that might otherwise knock you for a loop financially.
8. A budget can improve your marriage. A good budget is not just a spending plan; it's a communication tool. Done right, a budget can bring the two of you closer together as you identify and work towards common goals and reduce arguments about money.
9. A budget reveals areas where you're spending too much money so you can refocus on your most important goals.
10. A budget can keep you out of debt or help you get out of debt.
11. A budget actually creates extra money for you to use on things that matter to you.
12. A budget helps you sleep better at night because you don't lie awake worrying about how you're going to make ends meet.



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How to Cut Back - Be creative!

Plan properly for what you consider life's "necessities". Problems arise because you don't plan for the most important fixed costs in your life. Once you determine what your basic necessities are you will be able to figure out where to cut back. Basic necessities would be your fixed expenses. In other words, anything you automatically write a check for each month like rent or mortgage and insurance. Utilities and food normally come next, but don't forget to consider clothing, transportation and baby-sitting or household help. Eating out and entertainment might be on your list as well. Go ahead - add them in too.

Once you complete your list, go back to the top and start again. This time analyze how much you spend for each and how much you have available to spend.

Ready? Take a deep breath and Get Started!

Rent or mortgage: Can you afford your home? If you are spending more than 25% of your income, start making plans. You may need to consider moving to a cheaper home or apartment.

Utilities: Analyze your phone needs. How many lines do you have and are all of them essential? Is your cell phone more a novelty than a necessity? Put on a sweater and turn down the heat. Don't forget the air conditioning. Turn it up unless you're hanging meat in your home.

Insurance: To save money on your auto and homeowners insurance, lower your deductibles. Drop collision if your car is paid for. If your term life insurance is more than 5 years old, term life rates have been going down during that period. Shop around, you may find a better rate.

Food: Don't cut corners on what you love to eat. Instead, purchase store brands rather than name brands when buying the basics. They are often name brands in disguise, simply "private labeled" for the particular store.

Clothing: You need a strategy against your budget's biggest enemy - IMPULSE. Think about the stuff hanging in your closet. Make a list of what you need. Shop from your list, buying the best you can afford. Avoid IMPULSE buying, as that is the culprit and a sure-fire budget-breaker!

Transportation: This can be a big block and can eat up to 50% of a budget. Look hard at where you can save and set a budget for transportation. Negotiate for bargain fares. Get a car you like and take good care of it. Cars last longer than they used to as they are better made. Walk instead of taking a cab but do not punish yourself.

Babysitting and household help: If you have a good caretaker for your children, don't cut this corner! Supportive people who help in your home can make your life run more smoothly. Just find other budget savings elsewhere!

Taxes: Make use of your healthcare and dependent care spending accounts at work and contribute to your 401 (K). Oftentimes these funds are matched by your employer, therefore increasing your investment.

Credit Cards: The first law of Money Dynamics state that if you have plastic you will use it. Therefore, do not cut up your credit cards but simply remove them from your wallet and put them in a safe place. Carry only a debit card and buy only what you can afford. Get in the habit of spending cash only and jot down everything you spend in a notebook.

There are lots of ways to economize. Look at your discretionary expenses to see what you can do there. It takes a little willingness and maybe more creativity on your part, but you can do it!

Yes - You Can Have Your Budget and Your Vacation, too! Here's how!

The first step to budgeting for a vacation is to know how much your next getaway will cost. Use the worksheet below to itemize projected expenses. Leave a blank if you do not require a certain item. If you don't know an exact amount, estimate. *(It's a good idea to guess on the high side.)*

Expenses Worksheet

Before You Go	Amount
Wardrobe necessities	
Luggage and locks	
Passport	
Inoculations/medications	
Sundries (suntan lotion, etc.)	
Personal care (waxing, etc.)	
Extra pair of glasses/ sunglasses/ contacts	
Child care/pet care expenses	
Camera/ film/ processing	
Travel	
If flying:	
Airfare for two	
Transportation to and from airport/long-term airport parking	
Airport magazines, snacks, etc.	
If driving:	
Gasoline/oil	
Tolls	
Meals/snacks x number of days on the road	
Other Transportation (cab, bus, subway, train, ferry)	
At the destination:	
Room rate x number of nights	
Breakfast for 2 x number of days	
Lunch for 2 x number of days	
Dinner for 2 x number of days	
Beer/wine/alcoholic beverages for 2	
Tips x number of days	
Phone calls/Internet connection	
Souvenirs/Gifts/Postcards	
Activity fees (golf, horseback riding, spa services)	
Equipment rental (snorkel/scuba etc.)	
Excursions (sightseeing tours, dinner cruises)	
Entertainment (shows, nightclubs, discos, movies, fairs, other admission)	
Gambling	
Other	
Expense Total:	



Can you afford it? Plan in advance and budget for it! Put aside a portion of the vacation cost each week and before you know it, you will have accumulated your vacation fund!

Budget Cheating - Use Your Found Money!

Yes, budgeting can be hard work - but its payoff is certainly worth it! Even the tightest budget needs a little extra give, or the whole thing is likely to go out the window. So, reward yourself by using the money you "find" from rebates and coupon savings to pay for those little extras that can mean so much, like a night out at your favorite restaurant, or fresh flowers for your home. After all, it is springtime, and it is okay to do a little something for yourself that will put a little spring into your step!