

Shillings & Cents'

Family Budget... *Success!*

A POSITIVE APPROACH TO BUDGETING AS
FAMILY ORIENTED, USER FRIENDLY,
FINANCIAL MANAGEMENT AND PLANNING TOOL



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TABLE OF CONTENTS

Introduction	3
The Family Budget Basics	7
Who Should Budget?	7
What Should Be Budgeted?	8
When and Where To Start Budgeting?	9
What Constitutes A Good Budget?	10
The Rationale of Budgeting	11
Top 3 Causes of Budget Failure	18
The Family Budget Process	20
The Five Easy Step Process	20
Hints, Tips, Tricks and Tools	30
Handling a Money Crunch or Crisis	41
Debt and Debt Consolidation	43
Children and Fun Activities	46
Final Thoughts	48

Introduction



Once you start probing family budgets, spending time and energy researching the subject in-depth, it becomes quite clear that most families are caught in a vicious, almost never-ending cycle of *“what comes in must go out.”*

Most families might feel that budgeting is a futile effort, unnecessarily burdening them with thoughts and ways, to go broke methodically and slowly, without the human comforts and indulgences of our modern-day society.

However, most of these families are getting deeper and deeper into debt, no matter how hard they try to get out of it. Questions are then raised: *How do we stop these courses of action? How do we change the thinking around family financial discipline?*

Do you ever feel that you do not have enough cash at the end of the month to pay bills, buy necessities of life? Are you barely making a dent in your credit card debt balance, no matter how hard you try?

Here is a reality check for all of us: *if we choose to spend it, it is gone for good*. We cannot spend it on anything else. Are you perhaps worried about a nest egg for your golden years or savings for early retirement? Then you have arrived at a source that can provide some prudent tips on how to *start, finish, implement, stick to, revise and refine a family budget*.

The family budget is a dynamic process, even more so than a mere static document. It will, can and should change over time. It becomes a barometer of a family's financial circumstance, resources and health.

Budgeting is not as much about reflecting on what you cannot have, but more about thoughts on how to stretch, invest and spend your earned money more wisely. In short, it is about making your money going further.

This quick-reference how-to guide was developed to *assist you with setting up your own personal, household and family budget*, to help you with all of the above and more!

Put simply, in the "*Family Budget*", I focus in on how to empower families to set up better, more realistic budgets, stick to them and celebrate their successes (and learn from their failures!)

A couple of general money-savings tips will also be provided in these pages. There are also thoughts and spending patterns that need to change, in order to become financially more disciplined and many techniques, attitudes, habitual behaviors that I need to un-earth, evaluate and possibly change, before you even start budgeting.

For example, being a bargain hunter looking for good buys, cutting down on careless spending, being on the lookout for careless credit card spending and letting the person who handles money best in your household actually take care of it, are all good examples of what I mean.

For most households, a budget is no more than a spending plan. Any spending plan can help you see where your money is going. It fits your spending to your income. It reflects how we get the things we want and need most, while being ready and prepared for bills we must pay every month. It's simply about making a budget you can live with and stick to easily. It is not a difficult exercise, but one most people fear, avoid or dread because of the unknown and perceived complexity of it (sometimes wrongfully so!).

Part of the goal of this guide is to demystify family budgeting and highlight an easy systematic process to setting up a quality family budget.

Many things actually drive our expenditure. We choose to spend our money on things we value, need, prefer or consciously choose. For some it is clothes, for others it might be something as simple as taking that yearly vacation. Whether you are making financial decisions for yourself or your household, you might have to make some serious choices and adjustments regarding your financial freedom and situation.

Budgeting is not just about restricting spending and living a cheapskate life. It is about insights, wisdom, informed decisions, action and sustained discipline when it comes to your household finances.

This guide will invite you to learn more in these pages about systematic budgeting. It focuses on practical application and zooms in to apply these “best practice suggestions” in your own home. It empowers you to put together a dynamic family budget that suits your pocketbook, means and circumstance. It will appeal to almost anybody:

- Anyone who recognizes the need to budget.
- Those who have never or not yet learnt how to budget.
- Someone who has come into some money through a lottery, casino win, gift or inheritance and want to ensure they know how to budget properly before they start spending left, right and centre.
- It is good for moms, dads, grandparents, children, friends and families to do.
- It fosters independence and financial responsibility, accountability and stewardship.
- Even those with reasonable income, will find some answers here.
- The one who needs to understand expenses that need to be adjusted.
- Those who prefer to feel and be in control of their expenses.
- Those who need to modify their lifestyle and make significant adjustments to ensure a bright and happy financial future.

Please, do take some time to carefully read through the rest of the pages. After you are through, let me know how helpful this guide was to you and your family.

Wishing you nothing but success in your family budgeting!

Eddy Tsuma

April, 2011

The Family Budget Basics

This 'how to' guide is a little different. I have chosen to take a very hands-on, practical approach to financial management and get you started, walking through the budgeting steps and set you up, sending you off, well and good, on-course to solid budgeting in your family and household!

Who Should Budget?

All families and individuals should budget. There are various different families: single-income, single-parent, blended and/or extended families, double-income households, stay-at-home mothers working part-time from the home to make ends meet, social-supported and/or subsidized families, families at risk, divorced household with shared parenting and financial responsibilities, debt-ridden or bankrupt families and numerous others.

Every family situation is uniquely different and distinctive hence there is no one-size-fits-all solution to budgeting for everyone.

Nevertheless, I hope to offer something for everyone.

Some of the tips in this guide might apply to your unique means and circumstance, and others may not have any significant impact or practical application at all.

In general terms, you will find handy ideas, hints, process steps, practical savings suggestions and budgeting that might have gone unnoticed before.



The information provided is general and should be evaluated on an individual and contextualized basis. Remember to consult a financial advisor when making financial decisions that could affect the financial health, well-being and future of you and your treasured family.

What Should Be Budgeted?

Family budgeting is a structured process and planning activity, dealing with a family's financial resources and context.

This hands-on approach puts expense items into categories as another helpful strategy. This is done to get a better handle on the current situation and offers somewhat of a reality check to most that choose to undertake this journey.

Some of the categories can be:

- **Obligations** – mortgage or rent; association fees and professional dues; insurance: health, auto, home, renters' and life; tuition, day care; loans: car loan, student loan, bank fees and interest; taxes, property taxes and so on.
- **Necessities** – food, groceries, gas, yard maintenance, security, pest control, utilities: gas, water, electric, garbage, sewer; school lunches, household supplies, car maintenance, monthly parking, housekeeper, household repairs, internet service, dry cleaning, cable TV and more.
- **Pocket expenses** – lunch at work, snacks, sodas, coffee, drinks, parking, tolls, newspapers, magazines, batteries, postage, shipping, mail e.t.c

- **Family Allowances** – parties, entertainment, weekend outing, movies, concerts, other entertainment and events, home improvements and decorating, magazine and other subscriptions, dining out and fast food, furniture
- **Personal allowances** – clothing, hobbies, personal recreation, books, CD's, manicures, hair, alterations, shoe repair, personal gifts, luggage, night out with friends, gardening, films, processing, video rentals, sports/recreation, family gifts, contributions, donations, computer software and other related items.

Mostly, we think that we wisely spend our money on necessities like food and clothing, gas and household or family needs, but can rarely put a finger on where the money actually goes, let alone produce a budget!



When and Where To Start Budgeting?

In the interest of brevity, we combine the next two facets. My best assessment to answering when and where the best place and time would be to start a family budget would be to answer explicitly: **HERE AND NOW!**

It demands attention as it directly affects our daily lives and well-being. Without delay, hesitation or postponement, we need to step up and protect our family interest, financial health and future.

A wealth management guru is often quoted as saying, “*Accounting brings accountability!*” This rings so true. It is hard to ignore, if we are confronted with objective cold hard financial facts that tell us that we are in trouble.

What Constitutes A Good Budget?

I have laid out what a family budget is, does and affects. A brief mention of what constitutes as good family budget and the elements that it contains as well as its appearance, format and functional role follows.

All of us have a wish list of new things that we want. There are always things we would find and places to spend our money. Take the time to make a list of these things. Let everyone who shares cost in your home to have input into making and finalizing this list. Write down what you want most. Beside the goal, write how much it will cost. Now, next to these columns, start to prioritize these goals.

Which goal(s) comes first? You need to decide which goal(s) on your list should come first. Talk this over with the other members of your family. If you live alone, think it over yourself. Try to list your top goals and decide what you can fit into your budget.

A good budget therefore is in the eyes of the creator or beholder alike! A comprehensive criterion to coming up with a good budget follows:

- Budget is both process and product.
- Collaborative, engaged, hands-on effort.
- Characterized by communication and mutual agreement.
- It advocates involvement and exchange.
- It is real-time and reality-based.
- Factual.

...CONTINUED IN THE FULL VERSION

The Family Budget Process

This brings us to the family budget process. We may ask: How do we set up a family budget? To answer this question and more, we will deal with:

- The five easy step process of setting up a family budget.
- Hints, tips, tools and tricks to make your family budget work.
- Handling a money crunch or crisis.
- Strategies for debt and cash flow management in the family budget.
- How to deal with children and fun activities in the family budget.

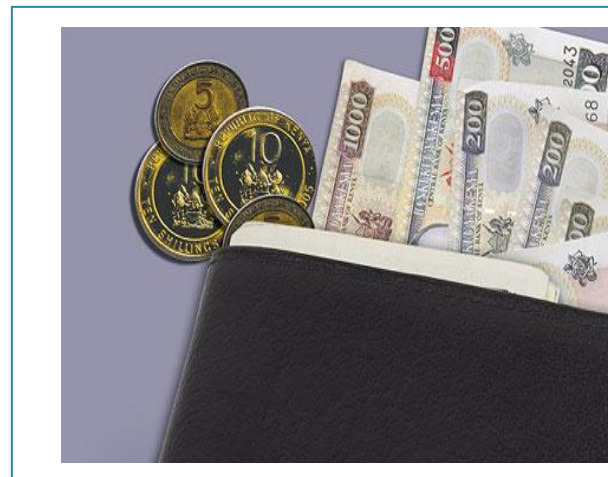
The Five Easy Step Process

To get us started and in order to set up a monthly budget, follow these five easy steps:

1. Finding out your monthly take-home pay

Your income is your pay, after some money is deducted such as income taxes, insurance and Social Security.

Find out what is your monthly take-home



pay. Do other people share expenses in your home? Total all of the households' monthly take-home pay. This will include all sources of income for all contributing members of the household.

2. Finding out what your expenses are

This brings up other pressing questions: What are your monthly expenses? Where does the money in fact go every month?

Most people are surprised to learn that it may go for things that we do not need at all. Writing your expenditures down provides us with the unique opportunity to visualize and find out if any money goes for things that we do not need or want.

Here is a short list of expenses that many people have. Put a check mark next to ones you have, then write down any expenses you have, that are not on the list.

- **Necessities like food**
- **Clothes laundry dry-cleaning**
- **Car and transportation expenses: gas, oil, parking, license, plates, car repair, train fare or bus fare**
- **Rent, mortgage payments, heat, electricity, phone, water, property taxes, house repair, appliance and repair, furniture, small items for home, cleaning supplies on the yard care,**
- **Medical and dental expenses: doctor, dentist, drugs, hospital or clinic.**
- **Savings: short to medium term for something soon, a future purchase, emergencies, investments.**
- **Installment payments: car, furniture, appliances, charge accounts, credit card accounts, loans.**
- **Pocket money, personal allowances, tobacco, beer, wine and hair care.**

- Entertainment, movies and eating out Recreation, sports and equipment, club membership, newspaper, magazines, cable TV, records and tapes, DVDs videos and other multimedia, vacation, letters and postage.
- School bills, books, room and board at school, workshops, special training courses, lessons, music and more.
- Donations: church or synagogue, charitable giving, charities, other and gifts
- Insurance: (if not deducted from your pay check): life, health, house, car and property
- Taxes: (if not deducted from your pay check): Federal, state and local income, social security

Which other ones could you list?

If you are fond of spreadsheets, I have designed some free spreadsheets for you that can help you in this process. Click the image below to download.

Month: **JANUARY** Year: **2011**
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INCOME	Budgetted	Actual	Variance
Salary/Wages/Commissions	75,200.00	75,200.00	0.00
Bonuses/Gifts Received			0.00
Dividends/Interest Income	4,500.00	4,500.00	0.00
Alimony/Child Support			0.00
Refunds/Reinbursements			0.00
Savings from Previous Month	3,400.00	3,400.00	0.00
Other			0.00
Other			0.00
Total INCOME	83,100.00	83,100.00	0.00

HOME EXPENSES	Budgetted	Actual	Variance
Rent/Mortgage	15,000.00	15,000.00	0.00
Home/Rental Insurance	4,500.00	4,500.00	0.00
Electricity/Water/Gas	2,490.00	2,490.00	0.00
Trash/Gabbage Collection	300.00	300.00	0.00
Phone	2,600.00	2,600.00	0.00
Pay TV	1,050.00	1,050.00	0.00
Internet	2,300.00	2,300.00	0.00
Maintenance/Repair/Improvement			0.00
Garden/Lawn			0.00

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Final Thoughts

- **None of us want to remain or be without money, short on cash, cash-strapped and not able to live well and or get the things we need, dream about and want.** Family budgeting brings us one-step closer to our financial realities, while offering more than the direction and route, but also the tools and techniques to get to financial nirvana!
- **Most of us have an inherent want to protect what is rightfully ours. Our hard-earned cash is no exception here.** We want to enable, as far as it is in our power, to utilize what little (or much) we do have to the best advantage and our family benefit overall. Family budgeting helps us do so with method, structure, elements and processes that enables success.
- **Family budgeting can assist 'have' and 'have nots' alike to make better financial decisions with a future perspective always in mind.**
- **Building greater awareness of where our money actually goes, or ends up, can be enlightening and empowering at the same time.** Some react with shock and horror, as they realize they are their own worst enemy. They bear witness to impulse-driven shopping and periods with no financial discipline. Realizing that this course of action hurt you and your family in the long run, puts a sudden halt on the money flowing out typically! (Even if the effect does not last too long!)
- **Although family budgeting can be overwhelming at first, the tools and techniques, process and steps to follow are fairly simple, straightforward and easy.** Like so often said, it is not rocket science! We just need to have the right attitude, motivation and persistence to see and follow things through. Budget or bust!

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