

Setting up a Personal Budget



Creating a spending plan or budget to achieve your goals takes six steps.

1. First, you need to **understand your current money habits** by tracking how much you currently **earn** and how much you currently **spend** each month.
2. Set a savings goal. What are you saving for in the **short term, long term or in between?**
3. **Compare how much you currently save each month with the monthly savings goal** that you determined in step 2.
4. If you currently are not saving enough to meet your goal, you need to **make adjustments to your income and spending** habits.
5. Because sometimes maintaining your goal will cost you money, you need to **figure out how you will budget your money once you have achieved your goal.**
6. Finally, if you find that you cannot save enough to purchase or maintain your goal, you **may need to adjust that goal** and go through these steps again.

After you've completed your planning, try to stick to your budget for one month. At the end of the month, record your actual income and your actual expenses. Calculate the difference between what you thought you would earn and what you actually earned, and what you thought you would spend and what you actually spent.

Then consider where you need to make adjustments in your budget. In some cases, you'll have to increase certain amounts in the expense categories to reflect the actual expenses. In other cases, you'll need to decrease certain amounts in the expense categories because you simply do not have enough money coming in to cover items that you want to purchase.

Remember, a budget is like a roadmap; depending on where you're headed, you may need to make some adjustments month by month. The exciting news is that with a budget in hand, you'll be able to take control of your personal finances!

