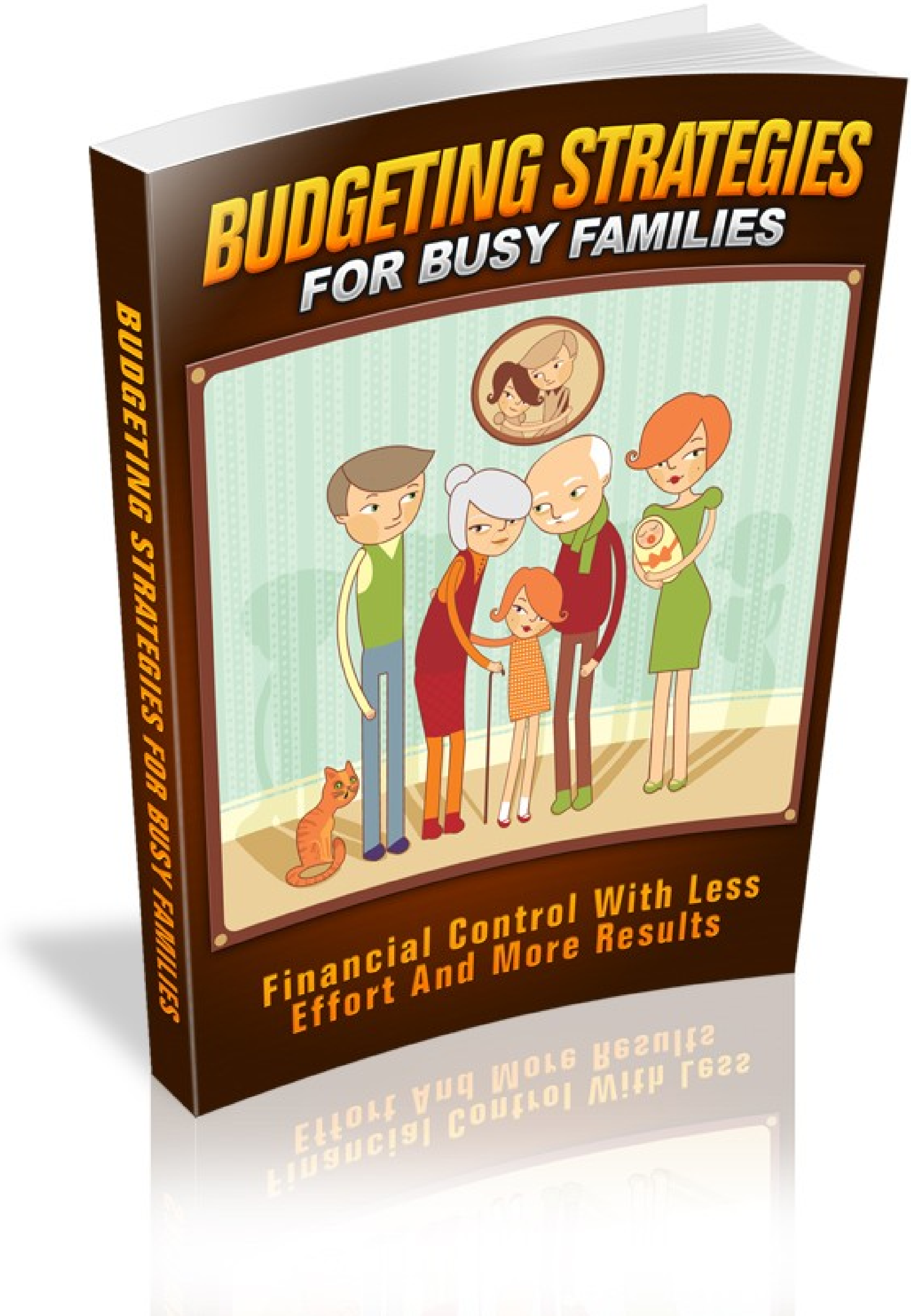
BUDGETING STRATEGIES
FOR BUSY FAMILIES
Financial Control With Less
Effort And More Results
BUDGETING STRATEGIES FOR BUSY FAMILIES

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Foreword

Granted, the recession looks bound to stay put far longer than we thought. But buck up: This year marks a paragon time to get hold of your finances and produce a family budget that gives you financial peace and a clear list of spending and saving goals for the days ahead.

Whether you're looking to pay down charge cards, fund a vacation or merely get your financial house in order, we're here to assist. These tips come from experts from the money world: a financial consultant, a wealth manager, a V.P. at a credit-debt counseling non-profit, and a city treasurer, whose office leads periodic family budget seminars.

Budgeting Strategies For Busy Families

Financial Control With Less Effort And More Results

Chapter 1:

Understand Your State Of Affairs

Synopsis

Scrutinize of your financial wellness!

Have A Good Look

• What major fiscal challenges do you face?

• State your financial positives in terms of revenue, debt management, and savings.

• How do you think you arrived at this point—and what would you like to see altered?

• How well organized are you for a financial emergency? Write it out now: The amount we have put away an emergency fund is ________.

• How is the subject of money addressed in your family: emotionally or rationally?

• Who makes the fiscal decisions? How come? How much collaboration is there?

Why it counts: Clarity and commitment. Authorities agree that before crunching the numbers, families need to scrutinize their financial wellness—and the best chance of success comes from having both mates on board.

Here we will explain to you the basic principle of personal financial ratio and its analyses. This will help you keep a tab on your personal finances.

Now what are personal finance ratios, you'd ask.

As the name hints these ratios deal with your personal riches, assets or cash in hand. All the more they're exceedingly simple to understand. Just plain discipline of sustaining a budget and statement of assets (what you earn or have) and liabilities (what you spend or what you owe to other people) will help you check your financial wellness.

Here is an easy guide which will help you to comprehend these ratios in detail. Let us have a look as to how these ratios may help.

Basic solvency ratio

This ratio signals your power to meet monthly expenses in case of any emergency or calamity. It's calculated by dividing the near-term cash you have with your monthly expenses.

Basic solvency ratio = Cash / Monthly expenses (this ratio isn't mentioned in percentage).You are able to also call it as emergency or contingency preparation ratio. This ratio helps you prepare for unexpected troubles.

An illustration, a 30-year-old businessman whose wife had an emergency gall bladder surgery last year. In spite of the fact that they had enough insurance to take care of exactly such an event, due to a few administrative problems on the day of discharge, he was informed that he would have to pay in cash as the bill couldn't be settled.

He had a hard time arranging the funds on an emergency fundament. He was fortunate to have good acquaintances and relatives who lent him the money. But not everyone have such great admirers or relatives to bail them out at such short notice. I'm sure no one wants to be in the same shoes.

Therefore we have to be organized for such a situation. How? By sustaining an emergency fund!

Let's examine how much money is adequate. Here is where basic solvency ratio comes handy.

The numerator of the basic solvency ratio formula, cash (near cash), would commonly comprise of the following things:

- Savings account
- Bank fixed deposits
- Liquid funds
- Cash on hand

The above elements are liquid assets which come on handy at the first possible hint of financial problems. Liquid funds may be delivered immediately. Same goes for fixed deposits as they may be broken and liquidated at once in case of an emergency.

Monthly expenses:

Only the mandatory fixed and varying expenses are taken here for ease. Any amusement outlay shouldn't be taken as these expenses can be quashed.

Mandatory fixed expenses include the income you pay for, loans, insurance premium, and rent.

Mandatory varying expenses, on the other hand, comprise of food, transit, clothing/ personal care, medical care, utilities, education expenses and assorted compulsory expenses (the above expenses can vary depending upon individuals).

The total of the above divided by 12 (that is 12 months) helps you attain the monthly average as your variable expenditure might change. Assuming that you've cash of 60,000 and median monthly expenses of 25,000 your basic solvency ratio would work out to: 60,000 / 25,000 = 2.4.

But is it great?

Not quite. An Ideal ratio should come to 3.

What does the number 3 mean?

It means that you must have money equal to or at least 3 months of your mandatory expenses in a contingence or emergency fund.

How come just 3 months? This is because research shows that 3 months time is enough to emerge from any type of financial pinch. As individuals near their retirement age, they should make certain that this fund is kept up to six months of their required expenses. The fund should be divided and kept in the form of cash, fixed deposit, or liquid fund.

Chapter 2:

Set Financial Priorities

Synopsis

It's so crucial to set your financial priorities in life as this may help secure your financial future. Too much stress could come from mishandled funds. Some individuals might make mistakes in setting their financial priorities like saving more for their children's college education and a lesser for their own retirement.

Set Goals

You should understand how to prioritize your financial goals so that you'll stay pleased and financially stable as you get older in life. This doesn't mean that you don’t consider the future of your kids but you're just setting your financial priorities in order.

Set an amount monthly for food, water and shelter as these are your primary needs. You need to think about buying various healthy foods and attempt to avoid unneeded snacks that are unhealthy. You likewise need to do your best in your present job as it's your source of income to pay for your utility bills, home mortgage or rent, and groceries. This is where you start setting your priorities straight.

A few individuals are so frugal on their grocery shopping, they disregard their health needs just to buy expensive gadgets or airplane tickets for a leisure time. Observe that attending to your own daily needs is your duty and priority to prevent evading the rent or house mortgage, utilities and other crucial matters for well-being particularly if you have a family.

Occasionally this could be the cause of disagreement between man and wife for they've different views when it comes to income management. The other mate wants to spend most of the money and isn't afraid of financial debt while the other one prefers to save something for the rainy days or an emergency. Be a good role model to your youngsters as they think highly of you as a parent.

Pay your charge card debt if you have any. Paying-off the charge card with the highest rate of interest then followed by the ones with lower rates of interest is the best thing that you can do in order to eradicate your entire charge card debt. Purchase things or goods with cash as much as possible and contain your spending habits.

Prevent over using your charge card so that you'll be able to continue to have access to your accounts if you truly need it. Some individuals, who were working and never bothered to save for an emergency fund and over used their credit, now have nothing. You don't want to be in a spot where you've no earnings and can't even access your credit cards because your accounts are closed.

Center on saving enough cash for your emergency fund particularly when all of your credit card debt is paid-off. This is really crucial in case of a job loss or other major unforeseen things that might happen to you or anybody in your family. Avoid the enticement of purchasing things that you are able to just live without and center on building your emergency savings.

Setting your financial priorities should be your principal ambition. Have a clear list of the crucial things that will cover your monthly expenses and finances and number each item from the highest to the lowest with regards to their importance and need.

Step-up your 401(k) or a 403(b) contribution and retirement savings if you already have enough cash savings for your emergency fund. Try to save 15%-20% of your salary for retirement.

Try to save for your retirement before saving for your youngsters' college education. When your youngsters grow up, they can use student loans, get scholarships or attend a good community college or state university where it's more affordable. As you consider their future, you likewise need to think of your golden years.

Capitalize on free training opportunities. Attending free seminars and trainings to advance your knowledge is a very good investment for your future. Setting career goals in life is really crucial as the job market is highly competitive.

Revise or update your will to make certain that your wishes are secure and accomplished. You need to have estate planning regardless how small your estate is. Some individuals will just assume that their assets and possessions will automatically pass to their family but without a legal will, the State might step-in and allocate your property or estate.

Valuate your insurance coverage. Check whether your car and homeowner policies are updated and their deductibles are fair. You might seek life insurance particularly if you're the head of the family working full-time. You may likewise think about buying long-term-care insurance, to aid you in paying for nursing care or assisted-living when you get old.

Chapter 3:

Write It Down

Synopsis

Perhaps you thought you knew how much you spent on mega lattes, till you saw the numbers in front of you. For most individuals there is $65-$85 a month in savings or more than $750 a year. Leave out Starbucks and eating out every day.

Stick To it

In today's domain there are very few individuals who take the time to produce a personal budget. Some individuals don't see the value in doing so; others merely have no desire to confine their spending habits. With this in mind, it should surprise no one that the number of personal bankruptcies has achieved an all time high. Individuals have achieved a point in our society where they purchase on impulse with no thoughts to the outcomes. In order to reverse this trend individuals need to become more responsible with their forms of spending. Among the best tools to help a person achieve this conduct is the personal budget.

A personal budget is a financial plan which sets bounds on the sum of money that will be spent on each category of expenses in a given month. A beneficial budget will take into consideration such elements as: the amount of income being obtained, owed debt to be retired, retirement savings, and an emergency fund.

A lot of individuals have no idea precisely where or how they spend a good portion of their income. How many times have you taken money from the ATM only to realize a few days later that it's gone? Many times it's hard to remember how precisely you spent the money, and frequently this money is wasted on frivolous buys. A budget will help avoid this by making an individual accountable for the income that they spend. If an individual only has $50 left for monthly food expenses then they might decide to give up purchasing that fancy $3 designer cup of coffee.

A different benefit is that a budget depicts an accurate idea of how much a person can actually afford to pay for assorted consumer items. Whether it's a home, a car, or a new TV set, an individual will be able to ascertain whether or not a particular purchase will fit within their monetary constraints. This acts as a precaution against getting in over your head financially.

It's crucial to realize that merely creating a budget isn't enough. This in and of itself will do an individual absolutely no good if he doesn't discipline himself to stick to it. Occasionally this will very hard, especially if an individual has founded the habit of freely spending without an afterthought. However, the long-run advantages of financial freedom, debt free living, and a comfortable retirement far outbalance any potential difficulty.

Chapter 4:

Limit Non-Essential Spending

Synopsis

Take a look at non-monthly bills, like car insurance, vehicle registration… decide between needs and wants.

Be Proactive

List as many of these bills as you are able to identify over a 12-month period.

Now, employ the "one-twelfth" rule, where you put aside funds for these expenses monthly, so as to limit their impact when payments come due.

Next, center on where you are able to spend less money without depriving yourself.

• What uneconomical or indulgent practices can you cut down on? (Cab rides when you are able to walk, expensive lunches.)

• Do you shop for items you don't require?

• Are you paying too much for services like car insurance, cable or cell phone service?

• Do you have unused memberships (e.g. gym) that you're still paying for (and may sell)?

It's easy to distinguish between the two if you go by a textbook definition. But actually, the distinction is hard and has been getting narrower over the past few years.

Nowadays, a car has become an emotional need in spite of the existence of an efficient public transport system. The need for an auto has transformed from a status symbol to a luxury to a basic essential now. The same system of logic applies to food. From home food to a fast food joint, nowadays buyers expect a fine dining experience and not just good food. This ambience comes at a premium and individuals just don't mind paying for it.

The truth is, wants are inexhaustible and often the lines between needs and wants get blurred. Therefore, one needs to get into self-examination before giving into the impulse to splurge.

Let's presume a family of 4 spends $8,000 on food, $25,000 on shelter, $20,000 on education and $10,000 on transportation. Now calculate the difference between your outlay and earnings. All you have to do is to write the primary price list and the cost of living in your city and compare the areas to give you a truthful picture.

If you require a mobile because you've a field job, it's a need. But if you insist on the latest gadget which you are able to truly afford, it's a want. That was an easy pick. But it gets hard if you have to trade off an automatic washer for a refrigerator or substitute a radio with a home theatre-com-music system. .. Think about it!

Chapter 5:

Pay Yourself First

Synopsis

Odds are fantabulous that once you tweak and streamline your budget, you'll have some breathing space. What's the first thing you should do with any freed-up cash? Authorities agree unanimously: Make saving a top priority, even if you have debts.

You First

Among the oldest rules of personal finance is the easy word of advice to pay yourself first. All the money books tell you to do it. All the personal finance blogs say it, too. Even your parents have given you the same advice.

But it’s difficult. That money could be used somewhere else. You could pay the telephone bill, could pay down debt, and could buy a new videodisc player. You’ve tried once or twice in the past, but it’s so simple to forget. You don’t keep a budget, so when payday comes around; the income just finds its way elsewhere.

To pay yourself first means merely this: Before you pay your bills, before you buy foodstuffs, before you do anything else, allow a portion of your income for savings. Put the income into your 401(k), your Roth IRA, or your savings account. The first bill you pay monthly should be to yourself. This habit, acquired early, may help you build tremendous wealth.

Once you pay yourself first, you’re mentally founding saving as a priority. You’re telling yourself that you're more important than the light company or the landlord. Building savings is a potent motivator — it’s empowering.

Paying yourself first furthers sound financial habits. Most individuals spend their money in the following order: bills, fun, saving. Unsurprisingly, there’s generally little left over to put in the bank. But if you bump saving to the front — saving, bills, fun — you’re able to set the income aside before you justify reasons to spend it.

By paying yourself first, you're constructing a cash buffer with real life applications. Steady contributions are an excellent way to build a savings. You can use the money to deal with emergencies. You can utilize it to purchase a home. You can utilize it to save for retirement. Paying yourself first gives you freedom — it opens a domain of opportunity.

The best way to acquire a saving habit is to make the process as painless as conceivable. Make it automatic. Make it invisible. If you arrange to have the money taken from your paycheck before you get it, you'll never know it's gone.

The true barrier to acquiring this habit is discovering the money to save. Many individuals believe it's impossible. But almost everybody can save at least 1% of their income. That's only one penny out of every dollar. A few will argue that saving this little is non-meaningful. But if a skeptic will attempt to save just 1% of his money, he'll commonly discover the process is painless. Perhaps next he'll try to save 3%. Or 5%. As his saving rate increases, so his savings will grow.

If you're scrambling to find money to save, consider setting aside your next raise for the future. As your income grows, set your gains aside for retirement and savings. Once you're imparting the maximums to your retirement (and you've built emergency savings), you are able to start to utilize your raises for yourself again.

Pay yourself first, my friends. It's a habit that you'll never regret.

Chapter 6:

Pay Down Credit Cards

Synopsis

The average American with a credit file is responsible for $16,635 in debt, barring mortgages. Presume that the annual percentage rate for interest on that deficit equals ten percent, and you're paying $200 a month. Assuming you don't score any more debt, you won't be in the clear for twelve years.

The great news: you are able to dig out sooner if you stand by some easy guidelines.

Dig Out

If you've run up a lot of charge card debt, begin paying off the one with the highest rate of interest first. Mathematically, this will save you the most interest. But, if you've several smaller charge card balances, then you might feel like you're making more progress by paying them off individually first.

Begin keeping really close track of your spending. A number of little comforts in your budget might have to be eliminated in order to make ends meet. Restaurants, cinemas and other expensive entertainment may be substituted with libraries, galleries and outdoor exercise. Papers, magazine subscriptions and cable TV are likewise good candidates for budget cuts. One expenditure that might be worthwhile, however, is a personal finance program that trails your debts, assets and cash flow on a day by day basis, so that you recognize precisely where you stand at all times.

Whatever you do, do not miss a payment. Late payments may truly hurt your credit score, and thus make it even more grueling for you to secure more positive financing. This may affect your insurance rates likewise. Making the lower limit payment by the deadline on your credit card is much brighter than making a larger payment a couple of days late.

A second source of income may make a huge difference to debtors. If you are able to earn just $500 a month extra, that's $6,000 a year that you are able to apply toward debt reduction. Another thought is reducing the amount of tax you've withheld from your check. Having no tax deducted may be advantageous in some cases. Naturally, you'll have to pay the tax with interest and penalty at the end of the year, but these rates are typically much lower than standard charge card rates.

Don't hesitate to get help if you require it. Talk terms with creditors and see if you are able to work out a satisfactory settlement. Credit and financial counseling services may be invaluable resources and might be able to point you to options or tips that you'd never discover otherwise. They may likewise begin you on a debt management or consolidation program to help lower your rates.

Lastly, if all else fails, see if you are able to get a debt consolidation loan from a family member. You are able to offer to pay them a rate that's much lower than your charge card interest, but much higher than what they'd get in a checking or savings account.

Chapter 7:

Build A Portfolio

Synopsis

As you break the excess spending habit, and fall under the savings habit, you're ready to take on the next step: building investments, retirement savings and real property equity. Sound unachievable?

Investments

Some steps to think about:

• Meet with a financial consultant or certified financial planner to view this all important part of your budgeting.

• Acquire a solid plan and stick with it. All too frequently we've become complacent when the market is doing well and cowardly when the market isn't doing so well. What sets the successful individuals apart is containing those emotions.

How come it matters: development—personally as well as financially. You’ve got to go from a spendthrift to budgeter, a budgeter to a saver, and a saver to an investor.

Ascertain what items or issues you're saving for. These may be retirement, a new house, your youngster’s education or anything else you choose.

Ascertain when you want to retire, buy a house or send your youngsters to college, to help you decide what percentage return you need to earn on your initial investment.

Determine how much money to invest. Invest what you are able to comfortably afford now, keeping in mind that you are able to change that amount later.

Ascertain how much risk you're willing to take. Many investments bring forth high returns and are riskier than others.

When you decide the amount you're willing to invest, the returns you want to accomplish, when you need the money and how much risk you're willing to bear, assemble your investment portfolio.

An investment counselor or stockbroker is a great source of advice. Tell these advisers your objectives and ask them to propose how to allocate your income.

Reassess your portfolio at least yearly. Study each investment.

Chapter 8:

Ways To Save Money At Home

Synopsis

There are lots of ways to save at home.

Change Some Things

Save income on electrical energy.

Put in the new type of fluorescent bulbs in lights you leave on for long periods. They provide 4 times as much light and last 10 times longer than incandescent bulbs. Likely Savings: $10-$50/yr.

Lower the temperature on your water heater to between 110 and 120 degrees. It's not essential to have it any hotter and wastes energy. Likely Savings: $20-40/yr.

Discover if your utility company offers free energy audits, where they audit your home for energy effectiveness and advocate inexpensive ways to cut energy costs, like insulating the water heater, weather-stripping, and so forth. Just insulating your water heater may save you $25 a year. Likely Savings: $50/yr.

Set thermostats no greater than 68 degrees in winter and no lower than 78 degrees in summertime. Turn your heat down even more at night or when you're not home (unless you've a heat pump, which operates more efficiently at one uniform setting). Each extra degree in wintertime may increase heating costs by 3%. In summertime, each degree may raise cooling costs by 6%. Likely Savings: $325 to $500/yr.

Cut down on the use of your dryer. Not only is it a huge energy drain, it may also suck heated air out of your home very quickly in wintertime. Hang clothes on a clothes rack to dry out and use the dryer for towels and other heavy items. Likely Savings: $25-50/yr.

Utilize your microwave rather than your oven if possible and save up to 50% in energy costs for cooking. Likely Savings: $50/yr.

Save income on water.

Always do full loads of wash. A typical full load utilizes about 21 gals of water. A little load uses 14 gals. Several small loads utilize substantially more water than one or two big loads. Over the course of a year, this adds up. Likely Savings: $25-$125/yr.

Run your dish washer only when you've a full load. Let the dishes air-dry rather than utilizing the heat cycle. An average dishwasher costs $60 to $100 annually to run. Likely Savings: $35-55/yr.

Mend running toilets or leaking faucets quickly. An endlessly running toilet may utilize more than 8,000 gallons of water a year. Likely Savings: $25-125/yr.

Put in flow restricting shower heads. A family of 4 may save 8,000 to 12,000 gals of water a year. You not only save on the cost of the water, but likewise the cost of heating it. Likely Savings: $100-$300/yr.

Add fabric softener to your laundry at the suitable point in the cycle rather than adding it at the end and running a different rinse cycle, which may use up to ten extra gals of water. Figure out how much time it takes your washing machine to reach the rinse cycle, and set a timer so you are able to add softener at the right time. Likely Savings: $25-100/yr.

Utilize warm or cold water for washing apparel, and always rinse in cold water. Likely Savings: $50/yr.

Save money on other.

Use basic phone service. Extra services like call waiting and call forwarding may nearly double your costs for the phone. Likely Savings: $168/yr.

If you are able to live without cable, you are able to save between $300 and $600 annually. If you can't live without it, acquire basic service only. You are able to rent a lot of movies for the extra $150 to $600 annually you pay for movie channels like HBO, Showtime, etc. Likely Savings: $144-700/yr.

Plant perennial flowers rather than annuals. You receive a one time cost and enjoy the flowers for a long time, with little additional effort or income. Annuals, on the other hand, call for an outlay of cash and effort yearly. Likely Savings: $100-$300/yr.

Chapter 9:

Finally….Some Fun Budget Stuff

Synopsis

On a day when fun is required, but funds have been wiped out, you need to enjoy your life! Believe it or not, the finest things in life are free! The things here will show you how to have fun free of charge, no matter where you are.

It Doesn’t Have To Cost

Head out to the beach! Public beaches are free and amusing. You are able to also walk on the boardwalk. Have fun constructing sandcastles or sport fishing on the pier.

Go window browsing. Go to a strip mall and check up on the fresh arrivals. Just remember that you don't have to confine your window browsing to clothing stores. Stop by the window exhibits at electronics and jewelry stores. Fresh technical gadgets are always appearing on the market!

Ask about free company amenities. You might not know this, but a lot of times the company you work for has a list of places (i.e. museums and aquariums) that are free of charge if you give your work identification card at the admissions counter!

View each season as a fresh way to have fun. In the summertime you are able to shoot hoops at the basketball court, play tennis or walk around the neighborhood with your acquaintances. In the autumn you are able to pull out your camera and take pictures of the fall leaves. Fall is likewise a good time to go to a pumpkin patch. Wintertime is amusing because you are able to play in the snow or remain inside and watch the snow with a cup of hot chocolate or a café latte. Springtime is good for bicycling!

Ask in your friends for a night of board games, cards and charades. The cover charge is a little dish or drink of choice. Your donation will be the free entertainment, so be ready to host!

Stuck at home with the youngsters? Whether they're on vacation from school or visiting for the weekend, here's a couple of great suggestions on how to entertain them free of charge.

Think about going to free community festivals, free movie events and free parks.

Think about a day at the beach, a picnic in the park, hiking in the woods, or a different outdoor activity. Swimming, outdoor games and adventures are an affordable and effective way to spend the day with kids.

Have a rainy day list of thoughts ready likewise. Visit your local library and rent some kid-friendly films and play "movie theater": have the kids make up tickets, set up the front room like a movie theater and pop some popcorn. You are able to also make up your own board game with novelties around the house, produce drawing and coloring games, or do easy crafts.

Capitalize on ticket upgrades. It may cost a little more at the beginning, but consider year-round passes for local attractions for a good way to spend the day. Your local zoo or aquarium might offer such a deal, as well as funfairs and more.

Generally kids have capital ideas! Just be ready to give them a free or affordable option. For instance, if they suggest going out for ice cream, think about buying ice cream and cones at the food market instead and heading to the park. If they want to go out for pizza pie, purchase grocery items to make a pizza and turn it into an activity alternatively. A good imagination, and willingness to try fresh things, will help you go a long way, and help you stretch your dollar while entertaining youngsters at the same time.

Wrapping Up

There has been a lot of not so fun info provided here.... But just because you're living on a budget, don't think you won't be able to have fun any longer. Sure, there will be some cutting you'll have to do - namely the frills. And you'll have to spend some time to find low-cost ways to have a good time. Remember to your early days, or when you were first wed. Remember when income was tight? Remember to what you did then for entertainment to get some ideas. Surely, there are things you are able to do now that you did back then and have the same kind of fun you had in those days.

Fun is an important part of life... but so is paying attention to your finances and hopefully this book has given you some valuable info on how to get your family finances in order to ensure a bright future.

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