

# A Balanced Household Budget: How to Meet Your Financial Goals



A household budget is something that most of us need, but not everyone has. If you have financial goals or just want to know where all of your money is going you should set up an official household budget. After taking a look at your budget, you may be surprised at the little places where money slips away. If you want to frighten someone whose household finances are out of control, suggest that they tally up their expenses on a piece of paper. Don't worry; household budgeting doesn't have to be painful. You just need to take a moment to get organized first.

## Get Your Records In Order

You can't begin to know what your household budget should be if you can't even find your bank statements and credit card charges to refer back to. If you don't already have a filing system for your financial paperwork, set one up – NOW! It doesn't have to be complicated. A single file folder for each financial account and each category of expense will do fine. Go through all the stacks and piles to get at least the current year's paperwork into your new system.

## Track Your Expenses

This is incredibly important when creating a household budget; however most of us don't have a clue where our money goes. The best way to keep track of your cash when creating a household budget (and making sure you stick to it) is to use some form of a log book. Create a list that includes static household expenses (things that cost the same amount every month), variable household expenses (those costs that fluctuate from month to month), and those household expenses that come in chunks throughout the year (like insurance payments or registration fees).

One of the most important parts of your household budget will be accounting for expenses that you are racking up because of financial disorganization. These household budget damaging charges can include interest charges on your credit card debt, late fees because you forgot to pay a bill on time, or overdraft charges because you didn't balance your checkbook. You might need to go through your last 12 months' credit card and bank statements to get a clear idea of how much daily life actually costs you.



## Tally Up Your Income

Do you really know how much you make? It sounds pretty impressive to say, “I make \$60 an hour,” or “I make \$150,000 a year”. But after taxes and Social Security and any other items that are deducted from your check, what are you actually bringing home? If you are self-employed, consider all of the hours you put into running your business that aren't billable. This is time spent marketing and handling administrative duties and attending professional meetings. Take a minute to really examine all of your sources of income and calculate an honest total – you can't have a realistic household budget without it!

## What's The Verdict?

When comparing income to expenses, how does it look? If you came out in the black, congratulations! If you ended up in the red, let's find some spending which can be reduced or even eliminated. This is why you are creating a household budget in the first place, right? Start with any late fees and interest charges. A good bill-paying system will take care of these. Also look for convenience expenses. These are things that you spend money on because you are overwhelmed, too busy, or just worn out. Perhaps by re-evaluating how you use your time, you might discover that many of these expenses are just symptoms of misplaced priorities.

When all of your spending decisions are deliberate ones, you will find yourself several steps and quite a few dollars closer to a balanced household budget that will allow you to reach all of your financial goals.

by Ramona Creel

