

# SIX STEPS TO MANAGING YOUR MONEY!

## STEP 1: Get Organized

The first step to building a budget is to keep track of all your expenses. To do so, you will need to keep track of everything that you purchase for at least a MONTH, so that you may examine your spending patterns later. You can keep track of your expenses by writing them down in a small notebook or scratchpad.

## STEP 2: What Did I Buy?

Now that you are keeping track of all your purchases, divide all your expenses into different categories; For example, milk, bread, meat, would all go under 'Groceries' and things like gasoline, brake pads, and tires would go under 'Car'. Use the table on the back of this sheet to help you organize your expenses.

## STEP 3: What Do I Pay First?

Knowing the difference between what MUST be paid and what can wait is very important in determining your budget. Must Pay expenses are things that must be paid for prior to anything else, such as mortgage payments, and rent. Flexible expenses are things that are within your power to change like groceries, utilities and clothing. Some fixed expenses should be paid before others- for example *paying your credit cards before paying your mortgage or rent is a bad idea!*

## STEP 4: Do the Math! (Monthly Expenses)

Add up all your expenses for both the Must Pay expenses and the Flexible expenses. Write down your totals at the bottom of each column. The amount that you have as Total Must Pay is what you MUST pay each month, the amount that you have in your Flexible total can be changed depending on how much you spend on those items. By adding your Must Pay total and your Flexible total, you can determine how much you are spending every month (Total Expenses).

## STEP 5: Readjust Your Budget

Now comes the hard part! Determine what you can eliminate or cut back in your budget. Subtract your Must Pay Total from Monthly Income ( $\text{Monthly Income} - \text{Must Pay Total} = \text{Flexible Expenses}$ ), this is what you have left over every month. Examine your Flexible expenses and try to cut back, for example; if you were spending \$150 on entertainment every month, limit yourself to \$75 a month. *Remember that SAVINGS is a necessary part of having a budget; try to save 10% of your income every month!*

## STEP 6: Keep Track

Keep track of all your expenses and re-evaluate your spending at the end of every month. Did you manage to stick to your budget? Why not? Examine your expenses again until you find a realistic budget that you can stick to. If you require additional assistance in determining your monthly budget or managing your debts, please contact a non-profit financial counseling agency such as; By Design Financial Solutions at (209) 956-1178 or (800) 750-2227.

