



Four tips to help you start a budget

Posted by [jcasey](#) November 06, 2008 18:19PM

NEW YORK -- One way to take control in an uncertain economy is to create a budget.

As mundane as it sounds, you may be surprised at what it reveals about your spending habits. Knowing precisely what you earn, spend and save is also the first step in meeting long-term financial goals.

"Once you start putting a pen to paper, all of a sudden you see where your money is going. Otherwise, it's hard to know where to start," said Lisa Kirchenbauer, a certified financial planner and president of Kirchenbauer Financial Management & Consulting in Arlington, Va.

There's no single method for calculating a budget, but a few key points will help you capture a better snapshot. Here are four tips to get you started.

Find a method that suits you

There are plenty of ways to track your spending. In recent years, numerous online tools have emerged to help people analyze and manage their finances. Software or even a straightforward Excel spreadsheet can assist when tracking spending.

But ultimately a simple pen and notepad may be the most useful starting point. Carrying a pad can help you record those small purchases that may not always be planned -- perhaps you had no choice but to incur an ATM fee, or decided to buy several newspapers declaring Obama victorious in the presidential election. Such incidentals can add up and be hard to track if not done in the moment.

Another easy way to get a spending snapshot is to review credit or debit card statements. All told, you should be able to get a well-rounded picture of your cash flow.

Separate fixed and discretionary spending

Identify which costs are fixed and which are not. This will make it easier to see where you can trim spending if needed, said Michael Kresh, a certified financial planner and president of M.D. Kresh Financial Services Inc. in Islandia, N.Y.

Fixed costs include items such as rent or mortgage, utilities and groceries. These are bills that you may be able to trim, but can't entirely cut.

Nonessential spending includes eating out, cable tv packages and gifts; this is the area where you'll probably be making the most changes.

Track all of your expenses, especially cash purchases

Forgetting to factor in ATM withdrawals is a common mistake -- even though it can account for a big chunk of your spending. Weekly withdrawals of \$100, for instance, tally up to more than \$5,000 a year.

"If you have money in your pocket, you tend to spend it without knowing where it went," Kresh said.

To keep closer tabs on where your money goes, use your debit card whenever possible and keep ATM visits to a minimum, Kresh said.

Also consider expenses that may not occur every month -- such as holiday gifts or car repairs. It's easy to forget these occasional costs if you're only looking at one month.

To get a more realistic sense of your expenses, many financial planners suggest looking at spending over a three-month time span and taking an average. This will enable you to set a more accurate target for monthly spending in a variety of categories.

Identify where you can trim spending

Chances are there are places in your discretionary spending where you can trim or make cuts. Do you really need that expensive gym membership, or can you find a cheaper alternative?

If that's still not enough, consider ways you can scale back spending on fixed spending -- such as utility bills, Kresh said.

Once you've created your budget, consider whether you're setting aside enough to meet long-term financial goals? Keep in mind that saving should be a part of your financial budget. If you treat savings as an expense, you'll be less tempted to spend that money on non-essential items.

In the end recognize that a budget is meant to be a guide to help you live within your means. While you'll want to be disciplined in tracking your spending, recognize that unexpected events will arise that may throw you off course. The key is to get back on track as soon as you can.

-- *The Associated Press*