

## WHAT DOES A BUDGET DO?

### **Begins with a Statement of Income**

A statement of your income tells you exactly what financial resources you have to work with. It tells you what money you will receive weekly, monthly, annually.

It should indicate any income you receive in addition to your earnings, such as interest on savings or the benefit payments a family member may receive. Once you know your total income, you know one of the limits within which to do your financial planning.

### **Provides for Fixed and Variable Expenses**

Rent or mortgage payments, insurance premiums, contributions to church and charity, installment payments on any debt the family owes, taxes and all other payments made on a regular basis and in fixed amounts should be included in the budget.

A listing of these fixed expenses shows what you already have promised to pay and provides another set of limits within which to do further planning. Now you are in a position to plan more realistically and to use your resources to greater advantage.

Expenditures for food, clothing, personal allowances, household, automobile expenses, dry-cleaning, laundry, recreation and other needs fall under the category of variable expenses. A budget is simply a forecast of your earnings and expenses over a given period of time. This, then, is available as a guide for your future spending patterns.

### **Provides a Means of Directing Your Income**

Too many people have given in to their desires and extended themselves beyond safety in money management. You simply cannot spend more than you have coming in.

For most people, typical long-range goals are saving for a college education for the children, a paid-off home mortgage and sufficient funds for retirement. Mid-range goals include furnishing the home, purchasing and maintaining an automobile, and perhaps a special vacation. Shorter-range expenses are for clothing, food and recreation. You should make out your own list of goals—long, medium and short range. But as you set down your goals and develop your budget, keep these points in mind:

- All goals must be based realistically on your projected budget.

- Provide for the basics first, then the comforts, and finally the luxuries.
- Set up a plan for paying off debts already accumulated.
- Plan for savings, no matter how small. Increase your savings allocation as your old debts are reduced.
- Control your spending according to your budget.
- Never give in to temptations to depart from the budget.
- If you stumble, don't give up; regroup and get on task again.