



## CREATING AN EFFECTIVE PERSONAL BUDGET

<b>Step 1.</b>	In <b>Table 1</b> , fill in the estimated dollar amount that you spend on <b>Essential Monthly Expenses</b> in the column labeled " <b>Current Spending</b> ." Use the blank lines to describe additional expenses that are not already on the list.
<b>Step 2.</b>	Add the total of all of your Current Essential Monthly Expenses in the <b>Total Essential Monthly Expenses</b> row (first column).
<b>Step 3.</b>	In <b>Table 2</b> , fill in the estimated dollar amount that you spend on <b>Other Monthly Expenses</b> in the column labeled " <b>Current Spending</b> ." Use the blank lines to describe
<b>Step 4.</b>	Add the total of all of your Other Monthly Expenses in the Total Other Monthly Expenses row (first column).
<b>Step 5.</b>	Write the Total Essential Monthly Expenses number from Table 1 in the Total Essential Monthly Expenses row in Table 2 (first column).
<b>Step 6.</b>	At the bottom of Table 2, add the Total Other Monthly Expenses and the Total Essential Monthly Expenses to get <b>Total Living Expenses</b> .
<b>Step 7.</b>	Copy the Total Living Expenses number into the Total Monthly Living Expenses blank in the formula below.
<b>Step 8.</b>	Calculate your <b>Monthly Gross</b> and <b>Net Income</b> . Your Net income is your income after income taxes and other withholdings, like 401k, are deducted.
<b>Step 9.</b>	Copy the Total Net Income number into the <b>Total Net Monthly Income</b> blank in the formula to the right.
<b>Step 10.</b>	Using the formula above, subtract Total Monthly Living Expenses from Total Net Monthly Income. <b>If the number is positive</b> , then you are living within your budget and should consider investing the "excess" money in a savings account, money market, or other investment option, or payoff outstanding debts. If the number is negative, then you are spending more than your income allows. Go to Step 11.
<b>Step 11.</b>	Review each line in Tables 1 & 2. Determine if you can save additional money by reducing certain expenses, especially those in Table 2. Write these reductions in the <b>Necessary Changes</b> column. You may be surprised just how much money you find without adding any new income.
<b>Step 12.</b>	Write the new values for your monthly expenses in the <b>Planned Budget</b> columns of Tables 1 & 2 and calculate your Planned Budget.
	Your Planned Budget represents your goal for next month. Monitor your expenses, and at the end of the month compare them with your budget. Make modifications to your budget as necessary. <b>Congratulations on taking your first step to better money management!</b>