

Your Money

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A Budget for all Seasons

I find it really difficult to make a proper budget. Each month I write down all my expected bills, but somehow I seem to spend more than I had planned. Some unexpected expense always appears and throws off my planning. Please help me to figure out how to do a budget that actually works!

Budgeting can sometimes feel like an unrewarding exercise. It can be time-consuming to record all the planned expenses, as well as depressing to see how much money you'll need to spend written in black and white. It's even more frustrating when you do all that hard work and your budget doesn't match what you actually end up spending!

Congrats on making the effort to organize your finances with a budget. Many people don't bother to budget because of some of the reasons above. They are also reluctant to plan for their needs and goals, displaying a wishful attitude that things will all work out for the best eventually. Whether you earn \$20,000 per month or take home \$200,000, making a plan for your expenses is absolutely essential to manage your money properly.

The good news is that with a little knowledge and the right tools, budgeting can be really simple. Based on the problem you are facing, it seems that your current plan may be overlooking some costs that don't take place every month. To do an effective budget, it's important to make note of expenses that are going to occur over the entire year. In this way, you won't be caught unawares when it's time to pay the car insurance, or when your child needs to go to the dentist.

To solve your problem, I suggest that you create a **Yearly Expense Plan**. This is a worksheet that will give you a clear picture of your periodic and occasional bills throughout the year. It will also highlight the heavy spending months and give you the opportunity to plan ahead to deal with the extra expenses without resorting to loans or credit cards.

You can create a yearly expense budget by following these steps:

1. Make a chart with the months of the year written across the top.
2. List all the periodic expenses that you'll have to pay over the year in rows going down. Some possibilities include:
 - Home maintenance:** Include new furniture, or planned repairs or upgrades to your home. Think of preparations for the hurricane season as well.
 - Vehicle expenses:** Plan for car insurance, licensing fees and car repairs, including the cost of new tires.
 - Vacation:** Spending money, sightseeing, accommodation and traveling should be accounted for.
 - Education:** Children's books, uniforms, shoes and fees, as well as extra lessons, graduation and summer school costs. Do a similar list if you're also going to school.
 - Medical Expenses:** Some bills can be planned for, like dental check-ups and annual visits. You can also look at your medical history to make projections based on past expenses.
 - Gifts:** Make note of holiday spending, birthdays, anniversaries, weddings, and graduation.
 - Recreation:** Include the costs for hobbies, gym or club memberships, and any 'must-see' concerts and sporting events.
3. Look back at old receipts, bank statements and bills to arrive at spending estimates for all the periodic expenses that you have highlighted.
4. Fill in the exact or projected dollar amount in the month that the expense should be due.
5. Total all the expenses by month and by category.
6. Divide the total yearly periodic expenses figure by twelve, to get a monthly average.
7. Put that average amount aside in a reserve account every month. Pay these bills from this account.
8. Make necessary adjustments to your budget as changes occur throughout the year.

When you look at the monthly totals you'll see why sometimes you just can't seem to make ends meet. You can see which months are going to be high-spending months, and you can decide if the amounts you plan to spend on vacation and gifts are reasonable given your expected income. The planner can help you to decide how any lump sums received throughout the year should be spent.

Although this exercise might take a couple of hours to complete, the information you receive will be well worth the time. Planning your budget with an entire year in mind will give you greater control over your expenses, and ultimately, your life.

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