

Budgeting... Tips and Tricks

**Credit
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Income

- Make sure you account for all net (after taxes) income
- Look beyond your paycheck
 - Rental Income
 - Bonuses
 - Gifts (may be hard to plan for)
 - Investments and dividends
 - Child support or alimony
 - Other (analyze your life, is there anything else you can think of?)
- First, plan on putting as much money as you can afford into your 401(k)
 - This money is set aside before taxes allowing you to save and reduce your taxes
- Then put as much as you can into savings

Budgeting Guidelines

- Housing costs shouldn't exceed **30%** of your gross monthly income.
 - This includes taxes, insurance, and upkeep
- All other monthly debt payments combined (credit cards, card payment, personal loans, etc.) should not exceed **20%** of your monthly gross income.
- Never pay just the minimum payment due. If you have a \$2000 balance on a credit card at 19% interest and pay the minimum due, it will take 23 years to pay the account off even if you never charge another dollar.
- The amount outstanding on all unsecured credit accounts (credit cards, department cards, etc.) should not total more than **one month gross income**.
- Try to get **six months** (minimum) of living expenses in a savings account before taking on any new debt.
- Make down payments as large as possible. This will require you to save money, which gives you time to research your purchases. It will also cut down impulse buying.
- Finance balances for the shortest time you can afford.
- Always read contracts very carefully, check for cancellation/closing penalties.
- Close any accounts (except the oldest ones) you do not use. It is not good for your credit history to have lots of open accounts, it just makes you a high risk in the creditors eyes.

Expenses

- **Fixed**
 - Fixed expenses do not change from month to month
 - Car payment, mortgage/rent, school loan payments, utilities (if you are on a fixed rate plan)
 - You have little control over these expenses
- **Variable**
 - These expenses change each month
 - Most utilities (unless on a fixed rate plan), gasoline, medical bills, entertainment
 - You can control most of these expenses, up to a point
 - Get creative, how can you cut down on these expenses
 - Use your AC less, carpool more, etc.
 - Don't forget periodic expenses such as insurance and taxes
- **Black Holes**
 - Is there anywhere money goes that you could eliminate, some good examples are:
 - Cable Television, Car Washes, Cigarettes, Cell Phones, Coffee, Lunches Out, Alcohol, Vending Machines, Bottled Water, Interest Charges on Credit Cards, Manicures, Unused Memberships, etc.
 - Do you really need any of these things...really?
 - Keep a record for a few weeks of every dollar and penny you spend, this will help you find you're spending black holes
 - Once you find the black holes, you need to decide what you really **need** and what can be **eliminated**

If you have any other questions about budgeting or would like a counselor to help you create your budget, please call one of our friendly Certified Credit Counselors at (800) 942-9027. They will be more than happy to assist you.

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