



Consumer **Credit Counseling** Service

How to Create a Household Budget

At Consumer Credit Counseling Service we see thousands of people who are in money trouble. The reasons for their problems are many and varied, but frequent problems are a lack of budgeting. Many problems could have been avoided if people would have planned ahead and lived within a budget.

Simply put, a budget is your household spending plan. You determine your income and expenses and then set spending goals for those expenses.

Here is how to get started.

- **Find a budget form or example you like.** You can find examples in personal finance books at the library, on-line at many financial websites, or we have forms available. This will be your primary budgeting tool. You want a form you understand and can work with.
- **Record all sources of income.** Make sure you use net income.
- **Track expenses for one month.** You must track all expenses. Most people are surprised on what they spend on certain items over the course of a month.
- **Set your goals.** What are your short, medium, and long term goals? Getting out of debt? College education? Retirement? Having savings goals will help you determine how much you must cut out of your expenses.
- **Set spending limits on expenses.** You must set goals on reducing your expenses. Decide on what you need vs. what you want. If you are married, you and your spouse must agree on what to spend.
- **Review your budget frequently.** We recommend a monthly budget review. This will help you determine what is working and what is not.

Make sure your goals are realistic. Don't set your expense reduction goals so high that you will get discouraged. Also, you should look at all your expenses. For example, can you refinance your mortgage at a lower rate? Can you reduce your food bill? But above all, decide you are going to stick with it.