

## Money Minders Vol. 2

# KOSTER'S CASH LOANS

## Creating a Budget

Many people put off creating a budget because they think they don't have enough money. The truth is, the less money you have, the more you need a budget. But don't worry, it's not as complicated as you might think. In fact, you can start with just a few simple steps:

### Determine your monthly income.

If you are paid twice a month, multiply the amount of your paycheck by two. If you are paid every two weeks, multiply that number by 26, then divide by 12. For example, if you make \$1,500 every two weeks in net take-home pay, your formula will look like this:

$$\begin{aligned} \$1,500 \times 26 &= \$39,000 \text{ (your annual income)} \\ \$39,000 / 12 &= \$3,250 \text{ (your monthly income)} \end{aligned}$$

Be sure to add in any additional income, such as alimony or child support.

### Determine your regular expenses.

This is where you need to spend the most time and effort. Include all monthly expenses, such as rent, telephone, electricity, car payments, groceries and other regular expenses. Budget for them the month you incur the costs, not the month you pay the bills.

### Estimate non-monthly, seasonal, and emergency expenses for the year.

This includes medical costs, school supplies, gifts, travel, entertainment, home repairs, car repairs, etc. Make sure that your estimate is realistic, because the expenses certainly are!

### Track your monthly expenses, and reconcile against your budget.

If you find you are consistently overspending in one area, either adjust your budget to allow for that, or find ways to reduce your costs.

The following guidelines may help. They are designed to give you a rough idea of how much of your monthly income you should be budgeting for each area.

Remember: everybody's needs are different, and you need to determine what works for you.

- **Rent or mortgage: 25-28%**  
*(higher for a mortgage, lower for rent)*
- **Transportation: 15-20%**
- **Food & Groceries: 10-20%**  
*(depending on size of family)*
- **Taxes & Insurance: 15%**
- **Clothing: 5-8%**
- **Medical: 2-5%**  
*(depending on health status and history)*
- **Education: 2-4%**
- **Miscellaneous: 5%**
- **Entertainment: 4-5%**
- **Personal Care Items: 1-2%**
- **Savings: 2-5%**

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