

How to...

“Set up a Family Budget”



"A budget tells us what we can't afford, but it doesn't keep us from buying it."

William Feather

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"Modern man drives a mortgaged car over a bond-financed highway on credit-card gas."

Earl Wilson

INTRODUCTION

"The average family exists only on paper and its average budget is a fiction, invented by statisticians for the convenience of statisticians."

Sylvia Porter

Unlike the quote provided above, seemingly reflective of general opinion on family budgets today, we will attempt to take a much more **positive approach to budgeting, as a family oriented, user-friendly, financial management and planning tool and life-enabler.**

However, when reflecting on family budgeting and inquiring as to why not more families are actually using it, it becomes self-evident that similar skepticism runs rampant and deep in reality and society, even globally so.

Once you start probing family budgets, expending time and energy researching the subject in-depth, it becomes quite clear, that most families are caught in a vicious, almost never-ending cycle of *"What comes in must go out."*

Most families might feel that budgeting is a futile effort, unnecessarily burdening them with thoughts and ways, to go broke methodically and slowly, without the creature comforts and indulgences of our human modern-day society.

Others might voice that they feel as if they are merely throwing money away, in a never-ending and dizzying spiral of spend, spend, spend. People are getting deeper and deeper into debt, no matter how hard they try to get out of it. Questions are then raised : How do we stop these courses of action? How do we change the thinking around family fiscal discipline?

Put simply, in "How to set up a Family Budget", we focus in on how to empower families to set up better, more realistic budgets, stick to them and celebrate their successes (and learn from their failures!)

Families eventually do have a monthly surplus, see their savings start to grow, consolidate their debt, set aside discretionary funds and personal allowances, build their wealth and become more aware of their pro-active involvement and responsibility regarding their lives and finances. This

is when excitement builds and fundamental thought patters as well as spending attitudes are changed.

Budgeting is seen as an accurate measurement of success when significant behavioral transformation is taking place on the landscape of the family budget, spending habits and financial patterns we observe over time!

Do you ever feel that you do not have enough cash at the end of the month to pay bills, buy necessities of life? Are you barely making a dent in your credit card debt balance, no matter how hard you try?

Here is a reality check for all of us: if we choose to spend it, it is gone for good. We cannot spend it on anything else. Are you perhaps worried about a nest egg for your golden years or savings for early retirement? Then you have arrived at a source that can provide some prudent tips on how to start, finish, implement, stick to, revise and refine a family budget.

The family budget is a dynamic process, even more so than a mere static work-product, result, process-outcome or document. It will, can and should change over time. It becomes a barometer of a family's fiscal circumstance, resources and health.

Maybe budgeting is not as much about reflecting on what you cannot have, but more about thoughts on how to stretch, invest and spend your earned dollars more wisely. In short, it is about making your money going further.

This quick-reference how-to guide was developed to assist you with setting up your own personal, household and family budget, to help you with all of the above and more!

A couple of general money-savings will also be provided in these pages. There are also thoughts and spending patterns that need to change, in order to become fiscally more disciplined and many techniques, attitudes, habitual behaviors that we need to un-earth, evaluate and possibly change, before you even start budgeting.

For example, being a bargain hunter looking for good buys, cutting down on careless spending, being on the lookout for careless credit card spending and letting the person who handles money

best in your household actually take care of it, are all good examples of what we mean.

For most households, a budget is no more than a spending plan. Any spending plan can help you see where your money is going. It fits your spending to your income. It reflects how we get the things we want and need most, while being ready and prepared for bills we must pay every month.

For most families it is simply about making a budget you can live with and stick to easily. It is not a difficult exercise, but one most people fear, avoid or dread because of the unknown and perceived complexity of it (sometimes wrongfully so!).

Part of the goal of this guide is to demystify family budgeting and highlight an easy systematic process to setting up a quality family budget.

Many things actually drive our expenditure. We choose to spend our money on things we value, need, prefer or consciously choose. For some it is clothes, for others it might be something as simple as taking that yearly vacation.

Whether you are making financial decisions for yourself or your household, you might have to make some serious choices and adjustments regarding your financial freedom and situation.

“How to Set up a Family Budget”, is a quick-reference, easy, how-to guide, meant to take you through the typical, who, why, when, what, where and how questions typically asked when considering fiscal planning for the household and or budgeting in general for your family need, means and circumstance, now and for the future.

Budgeting is not just about restricting spending and living a cheapskate life. It is about insights, wisdom, informed decisions, action and sustained discipline when it comes to your household financials.

This guide will invite you to learn more in these pages about systematic budgeting. It focuses on practical application and zooms in to apply these “best practice suggestions” in your own home. It empowers you to put together a dynamic, financial plan that suits your pocketbook, means and circumstance.

Financially speaking, assess quickly where you think you and your family are today.

- What kind of a picture do you have?
- Could you come up with something?
- Did you have the data and numbers you needed?
- Would you be able to plan for where you want to be and start living your life today as a fiscally sound and disciplined family with the information you have at your disposal at present?

Money makes the world go round! It is no secret that some of us have more, some have less. We deal with our own personal finances and cash management distinctly differently.

Households have varying needs, means and circumstance. Our money-management skills are also at different levels, as is our debt and savings!

Budgeting has to do with most of these perspectives and reflections.

The purpose and goal of family budgeting is:

- financial situational analysis and informed awareness,
- (ii) cutting cost,
- (iii) gaining control or curbing spending and
- (iv) Starting to save, building up wealth and liquid assets over time.

There are many phases and steps to go through when creating a budget.

If you are looking for ways to manage your money better, making it reach and stretch further, and providing you with financial security and a more solid future, then you have come to the right place.

In this brief introduction on family budgets, we have already introduced our first couple of key questions

- Why an e-book or how-to guide on setting up a family budget?
- Why would or do you need a family budget?
- What is the business case for and rationale behind family budgeting?
- What are the benefits and advantages of a family budget?

We elaborate a little more below. For most people, a family budget is the equivalent of a simplistic process: money is earned and comes in; money is spent and moves out!

It is a fluid, easy-flow, one-directional, cash management process. It is driven by daily life, a spending-orientation, or no plan at all!

For most families, income is also fixed and outflow typically increases over time, as the needs of the family fluctuates and changes. Loading up on debt is also very typical for the majority of our families. If this sounds very much like a vicious circle, it is. Most families are caught up in it and constantly battle to get out.

Mostly, we think that we wisely spend our money on necessities like food and clothing, gas and household or family needs, but can rarely put a finger on where the money actually goes, let alone produce a budget!

A good place to start is to monitor these expenses.

Take stock of your fiscal situation. Start with assessing where exactly you are in your financial life and circumstance. Most of us think we know, but we really do not.

That is, until we take the time to actually list, study and analyze the situation. Figure out what your financial worth is, look at all financial goals, and set a timeline for reaching them. Does this sound like an action plan? Where do you start?

A good suggestion is your bank statements, tax return and recent current credit report – a financial asset statement if you will -and an overview of the current situation.

The premise is simple: you can not get to arrive where you want to be if you do not know where you are today, what it will take to get where you need to be and how to get there.

A well thought out, planned and realistic budget will serve as a roadmap to get you there. It is a financial tool facilitating your financial dreams, goals and aspirations, making them become a reality. Budgeting will enable you to actually reach your financial targets and set goals.

WHAT IS YOUR CURRENT FINANCIAL STATUS?

How do you define financial worth? Is it cash in the bank, savings and checking accounts,