

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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➤ **for more information check out this link**
<http://urlr.me/9mhBn>

"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, RRSP's, stocks and investment portfolio?

Remember, anything you have that is of value counts. All your assets form part of your financial picture and health. Ask yourself: What is your take-home pay, after deductions? How are you paid? Is it monthly, weekly, bi-weekly? Then you need to budget accordingly!

Think about all other sources of income, temporary, seasonal, part-time - extra income, found money and bonuses that you might have.

Maybe deciding to leave it out of your family budget altogether is wise and advisable? (we will delve into this question a little later).

Try to find ways to do without some small creature comforts and pleasures to reap bigger rewards later.

Starting small, early and now, with discipline and commitment, a steady, consistent pace and amount every month, tracking and optimizing financial phenomena like 'compound interest' (which we will describe later), will all feed into this process.

We will take this journey into budgeting together to see how it can change lives: yesterday, today and tomorrow!

Back to listing assets and thinking about savings: consider all banks, savings and loans, credit union accounts, money market accounts, certificates of deposit, Christmas club accounts you might have. ALL LIQUID ASSETS that can be readily turned into cash need to be included.

Consolidate accounts if you have too many accounts spread out and save on banking fees. Improve tracking actual spending better and more easily. Earn higher interest and have less exposure to identity theft or fraud by getting a good handle on your current situation.

For most individuals and families alike, this step is quite a revelation. It forms the basis and baseline for deeper analysis and scrutiny.

Other assets might include things like: art, precious metals, sculptures, paintings, collections, antiques, jewelry and more.

Most of us are used to having a short-term focus on money and budgeting. A paradigm-shift is required to move us towards a more in-depth, longer-range view and planning.

Set short, mid and long term goals, have a definite structured plan, read up on family budgeting, personal financials and fiscal management strategies. All of this will help us focus on what is important for our needs, requirements and circumstance, while keeping financial discipline and budgeting in the forefront of our busy lives.

This is never an easy task amidst all the hustle and bustle that is our daily lives!

Most of the published literature on family budgeting in general centers around how to get out of debt, stay out of debt and live a full and prosperous life.

Some suggest frugal living is the answer and offer ‘your money or your life’ perspectives, where you cannot necessarily have both. There are many examples advocating the cheapskate monthly makeover that focuses on shaving costs off expenses and living frugally.

Market providers both online and offline, offer various budget kits which offers worksheets and more and there is always the handy tip-like Coles notes and the pocket idiots’ guide to living on a budget.

Other sources focus on becoming totally debt free, debt proofing your life, getting a life and choosing simplicity or how to address credit card debt and expenditure.

This ‘how to’ guide is a little different.

We have chosen to take a very hands-on, practical approach to fiscal management and get you started, walking through the budgeting steps and set you up, sending you off, well and good, on-course to solid budgeting in your family and household!

This brings us to the Who, What, When, Where, Why and How part of the discussion. These form the dynamic, interacting and inter-dependent elements, systems and processes that form “family budgeting.”

Who? Every family situation is uniquely different and distinctive. There is no one-size-fits-all answer and solution for everyone.

Some of the tips in this guide might apply to your unique means and circumstance, and others may not have any significant impact or practical application at all.

In general terms, you will find handy ideas, hints, process steps, practical savings suggestions and budgeting that might have gone unnoticed before.

The information provided is general and should be evaluated on an individual and contextualized basis. Remember to consult a financial advisor when making fiscal decisions that could affect the financial health, well-being and future of you and your treasured family.

There are various different families in question here too: single-income, single-parent, blended and/or extended families, double-income households, stay-at-home mothers working part-time from the home to make ends meet, social-supported and/or subsidized families, families at risk, divorced household with shared parenting and financial responsibilities, debt-ridden or bankruptcy families and numerous others. We hope to offer something for everyone.

What? Family budgeting is a structured process and planning activity, dealing with a family’s financial resources and context.

This hands-on approach puts expense items into categories as another helpful strategy. This is done to get a better handle on the current situation and offers somewhat of a reality check to most that choose to undertake this journey.

Some of the categories could be:

- Obligations – list each item under headings like: home: mortgage or rent; association fees and professional dues; insurance: health, auto, home, renters’ and life; tuition, day care; loans: car loan, student loan, bank fees and interest; taxes, property taxes and so on.

- Necessities – again list each item under headings like : food, groceries, gas, yard maintenance, security, pest control, utilities: gas, water, electric, garbage, sewer; school lunches, household supplies, car maintenance, monthly parking, housekeeper, household repairs, internet service, dry cleaning, cable TV and more.
- Pocket expenses – treat this as a whole category, covering: lunch at work, snacks, sodas, coffee, drinks, parking, tolls, newspapers, magazines, batteries, postage, shipping, mail
- Family Allowances – another whole category including items like : parties, entertainment, weekend outing, movies, concerts, other entertainment and events, home improvements and decorating, magazine and other subscriptions, dining out and fast food, furniture
- Personal allowances - clothing, hobbies, personal recreation, books, CD's, manicures, hair, alterations, shoe repair, personal gifts, luggage, night out with friends, gardening, films, processing, video rentals, sports/recreation, family gifts, contributions, donations, computer software and other related items.

When and Where? In the interest of brevity, we combine the next two facets. Our best assessment to answering when and where the best place and time would be to start a family budget would be to answer unequivocally: **HERE AND NOW!**

It demands attention as it directly affects our daily lives and well-being. Without delay, hesitation or postponement, we need to step up and protect our family interest, financial health and future.

Accounting brings accountability! A wealth management guru is often quoted as saying. This rings so true. It is hard to ignore, if we are confronted with objective cold hard financial facts that tell us that we are in trouble.

Why budget? Families, as mentioned before, have diverse reasons and motivations for budgeting. Briefly summarized, people budget for a couple of reasons:

- To gain control of their financial life, monthly bills and spending
- Be prepared and avoid surprises
- Save for a major purchase
- Opt out of a vicious circle of ever-spiraling debt or spend-now-pay-later thinking
- Expand their lifestyle(s)
- Retire early

- Eliminate money as a source of tension and topic for argument
- Rediscover that the best things in life are FREE!
- Becoming self-reliant and empowered to know that debt does not rule their lives anymore!

We promise even more on this a little later!

Family Budgets Defined

How to budget? Some general strategies are helpful in assisting families to set up a budget or budget better.

- The first significant step is to change your thinking about money, shift your attitude toward spending, actually focus on saving money, planning ahead and driving for success
- Develop a greater awareness of how you earn, manage, save and spend money
- Awareness of how others would lure, entice and want you to spend your money (advertisers, retailers, and manufacturers)
- To stop participating and playing the “Keeping-up-with-the-Jones’s game,” living with a false sense of wealth and security, while over-extending your self and financial resources, beyond your means. Do not envy others and lust after things that they might have or even worse, get deeper into debt to compete or keep up appearances. It is counterproductive and can ruin lives!
- Delay purchases – learn and do, sometimes without having to buy!
- Set solid financial and budget goals for yourself and your family that you can work on individually and collectively to achieve together
- Set spending limits and stick to them
- Do not make ends meet utilizing credit cards, stay away from ATM machines, cash, cash advances, do not cheat on your budget
- Understand your income – know where the money is coming from and how it varies throughout a one-year cycle
- Understand your expenses – monthly and irregular, unexpected expenses
- Set a few realistic financial goals

- Know your own habits, spending, temptation, and where the areas of risk and exposure are.
- Set up savings and spending mechanisms that work, reserve and growth accounts and have the right number of credit cards
- Make an income plan – detail is important
- Plan your obligations and must pays – smooth out large size bills with reserve accounts
- Plan your necessities and look for ways to economize
- Set aside pocket money for daily incidentals
- Create a family allowance to cover entertainment
- Create a personal allowance
- Balance and consolidate, wise decisions and trade-offs – agree and stick to it
- Live happily on a budget
- Welcome to frugal living mode! Cutting back on living expenses – alternatives for simple living
- re-examine why you work and how you live
- stop tossing your hard-earned cash away
- shopping, overwork, stress and debt (some refer to this as an illness quipped: ‘Affluenza’!)
- celebrate when you have money left over at the end of the month – indulge a little and reward yourself – rewarding patience and persistence! Not just the doing good and sticking with it

‘**How to set up a Family budget**’, is advocating a new code of fiscal honor for our families, so to speak. It proposes family budgets, that ask for wisdom (best choices and decisions), discipline (sticking to it), honesty (no cheating), persistence and celebration when we do it right!

THE RATIONALE AND PROCESS OF BUDGETING

Here are twelve good reasons to get you started:

1. Family budgets are used as a baseline, analysis-tool and roadmap. It is a useful tool and guide. It tells you whether you are headed in the direction you want to be headed in financially. It helps you to move from spending to saving and good fiscal balance, management and responsibility.

You may have goals and dreams, but if you do not set up guidelines for reaching them and you do not measure your progress, you may end up going so far in the wrong direction you can never make it back. Can you imagine the government or a major corporation operating without a budget? No, and neither should you.

2. It is often described and justified as an empowering enabler. A budget lets you control your money instead of your money controlling you.

3. A budget is a realistic estimate and true reflection of current circumstance and means, a type of financial situation-analysis that will tell you if you are living within your means. Before the widespread use of credit cards, you could tell if you were living within your means because you had money left over after paying all your bills.

There are lots of family budgeting tools available on line that make it a fun and enjoyable task and activity, to assess and analyze your family's financial situation with minimum effort. (www.MoneyPants.com)

There is also lots of free financial software and most of it sets up easily and provides you with a detailed family budget online. It manages your finances, hassle-free and almost effortless.

Well, almost! It will require input and minimum effort through hands-on involvement in setting it up, populating, maintaining and editing it. Mvelopes.com is a good example of market offerings that are available at no cost to you, just waiting for the motivated family budgeter to embrace and try it out!

Some websites offer free financial newsletters by e-mail, with lots of money saving tips, budget advice, and other relevant personal and family-related financial information (www.planabudget.com).

The availability, accessibility, virtual marketplace, ease of use and more of **credit cards** has made the need for family budgets much less obvious. Many people do not even realize they are living far beyond their means until they are knee deep in debt, struggling to make ends meet and sinking fast into murky financial waters.

Budgeting is and can be a life and money saver, a reality check, BUT ALSO a remedy!

4. A budget can help you meet your savings goals. It includes a mechanism for setting aside money for savings and investments.

5. Following a realistic budget frees up spare cash so you can use your money on the things that really matter to you instead of frittering it away on things you do not even remember buying.

6. A budget helps your entire family focus on common goals. It is unifying families in mutual purpose and effort, working together towards a successful outcome and reward.

7. A budget helps you prepare for emergencies or large or unanticipated expenses that might otherwise knock you for a loop financially.

8. A budget can improve your marriage. A good budget is not just a spending plan; it is a communication tool. Done right, a budget can bring the two of you closer together as you identify and work towards common goals and reduce arguments about money.

9. A budget reveals areas where you are spending too much money, so you can refocus on your most important goals.

10. A budget can keep you out of debt or help you get out of debt.

11. A budget actually creates extra money for you to do use on things that matter to you.

12. A budget helps you sleep better at night because you do not lie awake worrying about how you are going to make ends meet.

Nevertheless, despite all these wonderful reasons quoted above, people are still hesitant to commit to family budgeting as standard practice in their households. We might again want to probe a little deeper still and ask why?

TOP THREE CAUSES OF BUDGET FAILURE

Many people make an honest attempt to budget, but become discouraged and give up before they are able to accomplish any significant financial gain. The top three causes of budget failure come into play before you even begin to set up your budget. Awareness of these budget busters, is your first line of defense in the Battle of the Budget.

Budget Buster #1 - Negative Attitude

It cannot be emphasized enough--a positive attitude about budgeting is essential to your success. If you think of budgeting in negative terms (such as a financial diet, financial handcuffs, restrictive, penny-pinching, a sacrifice, etc.), you are sure to fail, unless you are a martyr or a masochist who finds some strange reward in a punishing experience. For purposes of this article, we will assume that you are neither.

A positive attitude means you think of a budget as a means to an end--a way to achieve your dreams and goals--and that postponing the instant gratification of spending all the money you earn is worth the rewards you will earn in the end.

Budget Buster #2 - Lack of Motivation

What is your motivation for budgeting? Are you trying to appease a nagging spouse? Following the terms of a debt repayment plan with a consumer credit counseling agency? Complying with an agreement made in bankruptcy court? These are not bad motivations, but they are external pressures and will probably not be easy to maintain over time. The best motivations are internally generated: do you honestly believe that budgeting can help you meet your goals?

If you need a little help in the motivation department, see "Twelve Reasons Budgeting Can Improve Your Life". A quick re-read of these will surely inspire and ignite a motivational spark or two!

Budget Buster # 3 - Unrealistic Expectations

What do you expect to gain from instituting and following a budget? Do you think that setting up a budget will reveal large caches of hidden cash or that the budget fairy will sprinkle fairy dust over your budget and magically transform your spending habits after a month or two of tracking expenses?

The reality is that budgeting is an endurance event--those who stick with it, through thick and thin, will come out ahead financially. Do not expect miracles. What you WILL see if you stick with it is steady, measurable progress towards the goals that really matter to you.

Starting a budget without having a positive attitude, internal motivation, and realistic expectations, will probably set you up for failure. You can greatly increase your chances of success by ruling out the three biggest budget busters before you even begin.

Family budgeting – just the thought of it makes most of us cringe. However, mostly, we do attempt to curb our spending and live within our means. Others fall into bad habits, habitual spending patterns or impulse shopping and over-extend themselves, landing knee-deep in debt!

Ironically, one of the first remedies for any debt consolidation or repair strategy, is to **take a long hard look at the budget and financial patterns within the household! It is almost like running a diagnostic.**

To take a closer look, you are in effect placing your family dollars under a magnifying glass and microscope. This can prove both challenging and painful for most people. We hope to alleviate some of that initial discomfort and apprehension with this handy step-by-step guide and tips.

Most financial advisors will tell you that you have to reward yourself for good fiscal responsibility, discipline and habits, to increase your motivation and success levels.

Budgeting is the first step, sticking with and to it, a close second and the sometimes overlooked but ever-important reward, has to keep the motivation going! To repeat and continue to experience the benefit of the budgeting cycle and discipline could be an uphill battle, but there are calmer seas ahead.

Cash management, savings, planning for retirement, setting financial goals etc. active and hands-on, is becoming increasingly important for the survival and well-being of our families everywhere.

Be your own best expert with coming up with new ideas on how to save money, budget better and spend less! Your unique strategies stem from a deep understanding of your own situation, demands, and needs. Discover which tips and ideas work best for you. After all, fiscal management and finances are definitely not a one-size-fits-all solution environment. It is personal, customized and unique.

In the following section, we will briefly refer back to the family budget defined and look at some of its elements and criteria, purpose and functions.

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