

# Living on a budget

One of the keys to **financial planning**



Budgeting lays out the foundation for creating a comprehensive financial plan.

A budget is a straightforward accounting of income and expenses. Following your budget means striving to earn and spend close to what you estimated. While creating a budget takes some effort, knowing for certain where you stand financially on a month-to-month basis is the key starting point toward achieving your financial goals.

## **Budget basics—getting organized**

To make a budget work, take the following steps:

- Consider all your sources of income, including your salary, equity awards, interest on savings and dividends from investments.
- Record where all of your money goes. One way to do this is to save your receipts from every purchase you make, whether it be with credit cards or with cash. If the store doesn't give you a receipt, request one.
- Keep an accurate record of the checks you write in your check register.
- Periodically, spend an hour or two going through your receipts and check register.
- Record those expenses in budget categories, such as groceries, entertainment, automobile repairs, vacations, savings and investments, mortgage payments, taxes, charitable contributions and any others you deem necessary. The more budget categories you create, the more accurately you can track your expenses and determine areas where you may be spending too much or too little.
- At the end of each month, see how your actual spending stacks up against your budget. You may want to adjust your budget if your actual results deviate significantly from your original estimates.

## **Save time with online apps or software**

There are a number of free mobile apps and budget worksheets online, including some that make it easy to keep track of receipts without ending up with a pocketful of paper every day. A quick search of the Internet will reveal that there are many popular apps available for free download.

Budgeting lays out the foundation for creating a comprehensive financial plan that, when updated at regular intervals, should serve you well throughout your life. With this foundation in place, the savings accumulated over time through budgeting can ultimately help you achieve your broader financial goals, from paying off loans to saving for retirement.

Your relationship with your money is much more than what's on an investment statement. It's your unique combination of spending, savings, mortgages, debts, college savings, retirement plans and more. A financial advisor can help you understand how it all works by developing a plan to guide your decisions both today and in the future.

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