

## Why should I have a budget?

Household debt is a problem. A budget provides a plan to spend only the money you have. If you plan it carefully and follow through with it, a budget can protect you from getting into excess debt or encountering other financial problems.

Budgeting forces you to identify your priorities as to where money is best spent given your personal situation.

Your budget is a planning tool that helps you make the best use of your money. As your situation changes over time, it is important to rework your budget to meet your changing needs and financial goals.

### **Tips for Preparing a Budget**

The first step to preparing a budget is to have the discipline to do it. Grab a piece of paper and a pencil, and sit down.

On separate lines, write down all sources of income on a monthly basis for you and your spouse, if you have one. This includes salary, alimony, child support, etc.

Next, identify all of your major expenditures, such as mortgage or rent payment, car loan, insurance, utilities, food, clothing, day care, health care, etc. Do not forget to include a line for savings, which should be 10 percent of your income.

Subtract your expenses from your income. If the result is a positive number, your budget will balance; if not, you need to make some tough choices to cut your expenses and bring your budget into balance.

### **Helpful Budgeting Tips**

Creating and sticking to a budget will provide you with a clearer financial picture and give you a better sense of control over your money.

### **Resources**

- Financial Literacy Education Commission: [www.mymoney.gov](http://www.mymoney.gov)
- Federal Reserve Board of Governors: [www.federalreserve.gov](http://www.federalreserve.gov)
- Federal Deposit Insurance Corporation: [www.fdic.gov](http://www.fdic.gov)

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