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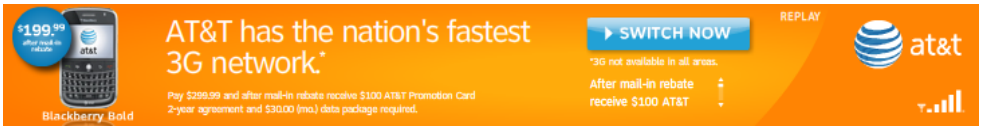

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Where's Your Money Going?

Save with these steps for creating your household budget

by Jennifer Barrett

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Layoffs, bank failures, a record number of foreclosure filings—even if you haven't been personally affected by the headlines, it's hard not to feel anxious about your family's finances in times like these. Creating a budget can help. While you can't control whether you or your spouse loses a job, a budget can help you be prepared if it happens. Budgeting also makes it easier to manage your money and reach your financial goals faster.

Florida-based financial planner Kathleen Campbell recommends starting out by tracking daily purchases for a month. "Then you can see where your money is actually going, and make changes based on that," she says. "A budget really has to suit your lifestyle to work."

It should also be based on your priorities and goals. "Those will be your guide in helping determine what's really important to you," says Greg Karp, author of *The 1-2-3 Money Plan: The Three Most Important Steps to Saving and Spending Smart*.

For example, Campbell asks clients: "Do you want to eat out at Outback Steakhouse every week, or do you want to be able to take a family vacation to the actual [Australian] Outback?" Frame it like that and the reasons for the money choices you make become clearer and easier to explain to your kids.

Once you know where your money's going and where you want it to go, you're ready to create your budget. Write down your total expected monthly income and fixed expenses, like utility bills and rent. Consider how much you want to save, invest and put toward debts, then divide what's left among your discretionary expenses. Write estimates in one column—your total money in and out should match—then put the actual numbers in the next column and see how they line up.

Need help? **Print out this sample budget (PDF).**

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