

## Five Steps to a Basic Monthly Budget

Without a budget, many of us just muddle through, trying to stay one step ahead of our bills. A budget is simply a tool to increase your awareness of how and where you spent your money. It provides you with a guideline to help you spend your money on the things that are most important to you. Here are five simple steps to working out a basic monthly budget for yourself.

### Step 1 – Create a List Of All Your Monthly Income

How much do you have? Aside from your take-home pay, if you have other sources of income that are received annually (such as bonus and dividends), simply divide the amount by 12. This figure will set the cap on your total budget.

### Step 2 – Create a List Of All Your Monthly Expenses

Take time to carefully list down all your monthly expenses, including expenses that occur on an annual basis.

### Step 3 – Compare Your Total Income with Your Total Expenses

How much of your income are you left with after deducting all your current expenses? If you have at least 10-20% left over, good for you! You are on the right track to good money management. If there is little left over, or worse, your expenses exceed your income, then make sure you take Step 4.

### Step 4 – Adjust, Adjust, Adjust

Adjust expenses according to the amount you have left.

If it is a small shortfall, it may simply be a matter of reducing some flexible expenses such as entertainment or the number of times you eat out.

If the shortfall is large, then you may have to seriously consider how you can reduce your fixed expenses which may include moderating your lifestyle such as downsizing your home or doing away with the car.

Start getting yourself on track financially today by working out a simple budget for your monthly expenses. Use a budget worksheet to work out your budget.

### Step 5 – Discipline And Review

It is important to realise that simply creating a budget is not enough. A good budget by itself is of no use if you do not discipline yourself to stick to it. If executed properly, a budget will allow you to simultaneously meet your expenses, place money into savings, and pay back outstanding debts. A good budget also requires regular reviews from time to time, especially at different stages of your life.