



Mom's Talk

GUIDE

To

Family Budgeting



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What You can Expect From This eBook

This ebook will show you to set up better, more realistic budgets that will carry you through your long-term financial planning.

If you feel like you barely have enough money to make ends meet or worse yet, feel you don't have enough cash at the end of the month to pay bills, buy necessities of life? Perhaps, you have credit card debt that never goes away. With appropriate budgeting, you family can eventually do have a monthly surplus, see your savings start to grow and stop living paycheck to paycheck.

This guide will prepare you for that eventuality and covers:

- Why you should set up a budget.
- Understanding your spending, income and assets.
- Planning your budget.
- Making your money go further.

We would also like to invite you over to the [Moms Talk Network Forum](http://www.MomsTalkForum.com) to talk about family budgeting concerns, share tips or whatever you'd. We're always happy to meet new moms and get to know each other. Come on over and join us at:

<http://www.MomsTalkForum.com>

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1. Why Set up a Family Budget?

A family budget can help you achieve many of your financial goals including:

- Financial awareness and understanding.
- Reducing costs and expenses.
- Gaining control over any destructive spending habits.
- Eliminating debt or keeping you from going into debt.
- Saving for a major purchase.
- Improved lifestyle.
- Retiring early.
- Eliminating money as a source of tension and topic for argument in your family.
- Help your family focus on common goals and rewards.
- Saving and building up wealth.

If you don't have a plan, there is no way you're going to get there. Even if you have a plan and haven't figured out the steps to get there, you still won't get there. That's where budgeting comes in. When you understand your complete financial situation and make plans to build and improve, you will reach your goals.

A well-done budget also helps you plan for unexpected expenses, a little splurging and your eventual retirement. It helps you cut down your credit card debt and stop the vicious cycle that might be keeping you living outside of your means.

As you continue your financial management journey you'll start to see:

1. It's easier to manage your expenses
2. It's easier to cover unexpected expenses
3. More money in your bank and investment accounts

...and it gets better and better. Each victory, no matter how great or small, is very motivating, so stick to your budget plan and even reward yourself a little every once in a while. It will keep you moving forward.



2. Start Planning Your Budget – Take an Inventory

The first step in planning your family budget is taking an inventory of all your living expenses, discretionary spending, unexpected expenses, debt, income and assets.

To assist you in taking this inventory, gather or print off all your:

- Bank statements
- Investment statements
- Credit card bills
- Utility bills (gas, electric, telephone, cell phone, Internet, cable)
- Insurance (health, car, etc) bills
- Loan statements
- Tax returns
- Childcare receipts
- Donation receipts
- Other available receipts and statements

If the amounts on your bills vary month-to-month, be sure to have several months worth to compare and create an average for yourself.

2.1. Let's talk about each inventory in detail:

- **Living Expenses** – Take into account daily, weekly, monthly, semi-monthly or yearly expenses. The further apart the payments are, the easier it is for that payment to sneak up on you when you aren't prepared.

Examples of Living Expenses: Everyone's regular expenses are different. List your expenses and note to whom they are payable, how much and how

frequently. You'll want to group your payments by frequency (ex. weekly, monthly, yearly), so you can better plan their payment. Here are some of the common ones:

- Mortgage
- Rent
- Association fees
- Car insurance
- Car maintenance
- Car payments
- Gas
- Bus fare
- Home insurance
- Life insurance
- Health
- Tuition
- Daycare
- Bank fees
- Interest
- Income tax
- Property tax
- Parking
- Retirement plan contributions
- Groceries
- Laundry
- Heat
- Electricity
- Water
- Telephone
- Cable
- Cell Phone

- Internet connection
- Dental insurance
- Clothing
- Housekeeper
- Yard maintenance
- Security
- Dry cleaning
- School lunches

Analyzing Tips: Just because these are your living expenses, doesn't mean they can't be altered – nor are they all vital for your survival. You can search for cheaper alternatives, consolidate payments into packages (ex. Telephone & cable) or consolidate your debt payments. You might also look at all those things you think are required expenses and see if you can do without them. We'll talk more about saving tips in Chapter 5.

- **Discretionary Spending** – Discretionary spending is the spending we do that isn't budgeted. It can include “fun” spending like eating out, but also small unexpected necessities like parking, batteries, postage, etc.

If you use your bank card or credit card to pay for a lot of your purchases, review your statements over several months to see where your money is going.

Whether you use cash or cards, you'll also want to start watching where ALL your money goes. You'll want to keep all your receipts and start writing down every penny you spend for a couple months. It may seem tedious, but this will be a tremendous learning exercise and well worth the discoveries you make. You can use a simple notebook and a plastic envelope to store receipts that you keep in your purse. Write down any expenses without a receipt immediately and write down receipted expenses every couple of days. Don't let the receipts pile up or it could get very overwhelming and you're less likely to stick with it.

At the end of the month, take tallies on the things you spend your money on. You might be really surprised. Multiply those totals by 12 and you might see where each and every year you may be putting a lot of money. Analyze which spending you need to cut back on, choose cheaper alternatives for those or eliminate them altogether.

- **Unexpected Expenses:** Take a look at the larger, unexpected expenses you had to deal with over the last 12 months. Although, you can't necessarily use this as a gauge of exactly what to expect in the next year or so, but it does give you an idea of just how much money you should prepare to have set aside.

Some unexpected expenses might include:

- Car repair
 - Appliance repair
 - Insurance claims
 - Medical & Dental Expenses not covered by your insurance coverage
- **Debts** – Writing down all your debts is an important and often a very-opening part of creating a budget. This is a scary step but it's the first step to overcoming your debt. Write down how much you own, to whom and a grand total. Keep this list in front of you often, so it can remind you of what you need to work on.

Include:

- Mortgage
- Car loans or leases
- Credit card and other unsecured debt.

Analyzing Tip: Of course, the mortgage is a “good” debt in that you are paying for an investment. A car loan is similar, but cars depreciate in value quickly. The credit card debt is where you'll really want to focus your attention. If you have a

large amount of debt, you may want to look at consolidation or incorporating your debts into your mortgage. **Note:** Shop around for the best deals and make sure you read the fine print, what may seem like a good consolidation deal may leave you spending more in the long run, so make sure you shop around for the best rates.

You might also want to talk with your bank to pay your mortgage more frequently, so more of your money goes toward the principle of your mortgage, rather than the interest. An added benefit of paying more regularly is that it might make it easier for you to manage your payments. For example, if you get paid biweekly in your job, you can set your mortgage to come out of your bank automatically on your pay days.

- **Income** – List all your sources of income. Include the amount, the frequency and where the income comes from. Take into account taxes, social security, union dues and other deductions.

Include things like:

- Employment income
- Child support payments
- Alimony
- Government support payments
- Interest
- Include any seasonal income, bonuses, maturing bonds, etc.

- **Assets** - Take an inventory of all your assets. Generally, these won't be used in your month-to-month budgeting, but should be taken into account for your long-term financial planning.
 - Your home
 - Car
 - Jewelry
 - Art
 - Antiques



3. Mentally Preparing Yourself for Your Family Budget – Analyze & Change Your Thinking

Now that you've taken an inventory of all your financial liabilities and assets, you aren't quite ready to make your budget yet. You need to know how to understand the information you've gathered and change some of your thinking toward money.

- The inventory you just took should give you a greater awareness of how you earn, manage, save and spend money.
- Understand your expenses and their patterns. Be aware of monthly, irregular and unexpected expenses
- Understand your income. Know where your money is coming from and how it varies throughout a one-year cycle.
- Know your own habits, spending, temptation, and where the areas of risk and exposure are.
- Also be aware of how others would lure, entice and want you to spend your money (advertisers, retailers, and manufacturers).
- Don't compare yourself to others and don't allow yourself to feel envy of others who have things you don't. Getting in debt and keeping up appearances isn't going to help you financially in the long-run.
- Delay purchases. Research big purchases and take some time to think about them. Delay small purchases to. You'll find something you were excited about one day won't matter so much the next.
- Set solid financial and budget goals for yourself and your family that you can work on individually and collectively to achieve together. Decide when you'll achieve your goals and what steps you'll need to take to get there.
- Set personal spending limits and stick to them.
- Avoid making ends meet with credit cards and ban the cash advance.
- Celebrate when you have money left over at the end of the month, take a little and indulge in a reward yourself. Then put the rest to good use by paying off a debt, putting it away, etc.

4. Planning Your Budget

Now, it's time to roll up your sleeves and get a little bit dirty. The first step of taking inventory likely opened your eyes to the source of potential problems with your financial situation and where you might start to make improvements. Let's put those numbers together, so you can make an even better plan to make ends meet, start to save and eventually start accumulating wealth. You'll want to create a budget for your family for each month of the year, track your progress and make adjustments and improvements where necessary.

Here are some budget basics to keep in mind:

- Plan your necessities and look for ways to economize.
- Set aside pocket money for daily incidentals and unexpected expenses.
- Create a family allowance to cover entertainment.
- Create a personal allowance for each family member, as appropriate.

Let's get into detail on setting up your budget. You can work out your budget on a sheet of paper, in a word processing document, a spreadsheet or budgeting software. The latter two (spreadsheet or software) make it easiest for automatic calculations, making changes to your budget, finding patterns and keeping ongoing records. You can also sort by expense category, date payable, etc.

You might also find it helpful to put all the payment into a calendar that you consult every day. That way, you'll be fully aware and prepared for all your upcoming expenses.

Here is what to include in your budget: For details on these categories, you can review chapter 1 on taking your inventory.

- **Living Expenses** – You may want to divide these between fixed and variable expenses. Things like life insurance, mortgage, loans, etc. are generally fixed expenses. Expenses like groceries, credit cards, cell phone, clothing and gas tend to be variable.

Many of your living expenses will have to be paid on different schedules. Sometimes they are monthly or more or less frequently. You'll want your monthly budget to include the date of the required payment(s). To plan for less frequent expenses, try to plan a year's worth of budget in advance. Obviously, individual expenses may change over the course of the year, but consider the year in advance a good skeletal view of what to expect.

- **Pocket Expenses** – This is some of the discretionary spending that we talked about earlier. Some of it is necessary and some of it is frivolous, but the common theme is that it's not always a completely planned expense. With your new budget, you are going to try to plan for expenses like: lunch at work, snacks, sodas, coffee, drinks, tolls, newspapers, magazines, batteries, postage, etc. You don't need to itemize each expenditure in your budget planning, but you may want to categorize your expenses, to ensure the most important expenses are being taken care of.

For example, snacks, lunches at work and coffee can be lumped together. Batteries and postage could be put into more of a necessity category.

- **Family Allowances** – Plan for family activities and fun. This can include an occasional dinner out, movies, concerts, etc. For yearly planning, take into account family member birthdays, vacations, weddings and other special occasions.
- **Personal Allowances** – You probably already give your older children a weekly allowance. Create one for yourself and your spouse too. This can include expenses associated with clothing, hobbies, personal recreation, books, CD's, manicures, hair, alterations, shoe repair, personal gifts, luggage, going out with friends, gardening, etc.

- **Income** – Include all sources of income as discussed in our chapter on inventory. If it's employment income, employment insurance, disability, government support or alimony, include it in your income.

4.1. Looking at the Numbers:

Once you've included all that information, it's time to compare your expenses with your income.

If your income is greater than your expenses, you can set aside a bit of money for fun and use the rest to apply to debts, invest or save for unexpected expenses. Even though you're ahead of the game, we encourage you to read the next chapter on saving money. It can help you have an even greater surplus at the end of each month and can help you plan for those unexpected expense that always seem to come up.

If your expenses are greater than your income, you'll need to do some reworking of your expenses. It's time to starting cutting out unnecessary expense, economizing on necessary ones and making your money do more for you. We'll help you with precisely that in the next chapter.



5. Do More With Your Money

There never seems to be enough money, but there is plenty you can do to make your money stretch further. Oftentimes, we have ongoing expenses that we can do without or we might be paying more than we should for certain items. But don't go overboard or take out all the joy of living. Smart financial adjustments mean you can still enjoy your lifestyle and achieve financial balance.

This chapter provides you with plenty of ideas to do more with your money.

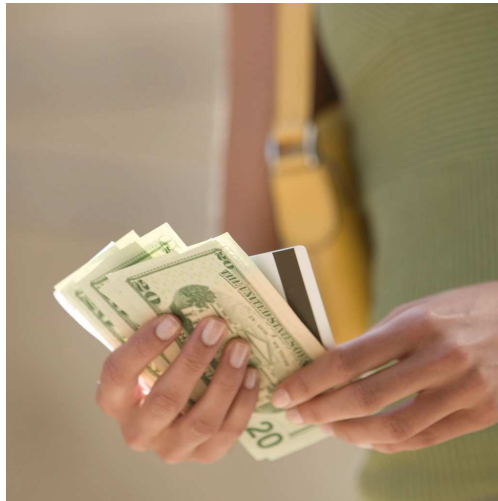
Here are several ways to cut your expenses:

- **What can you live without?** Really take a long look at your budget and see what you can do without? Could you drop a cell phone bill or if you have a good cell phone plan, is a home phone a necessity?
- **Consolidate bank accounts.** Over time, we can find ourselves with a ton of bank accounts. The more bank accounts you have, the more you'll be paying in monthly fees. If you have minimum balance requirements, you're less likely to achieve those if you are spreading your money out too thin.
- **Consolidate your debts.** If you have a lot of unsecured debt, consider putting it together. Most credit card companies design their interest and minimum payment plans to make it take 20 years or more to pay of your debt. If you own a home, your mortgage lender may allow you to take on that debt into your mortgage. There are also consolidation options if you don't own a home, but don't fall for the high-interest schemes. They will help you consolidate your debts, but with the high-interest rates aren't necessary.
- **Talk to your utility companies about packages.** These days, the phone company often offers cable service, cell phone service and more. Check out the packages they offer to help you save more money. Just beware of going for the big packages because they seem like a good deal. Just choose the packages that suit your needs and budget.
- **Cut the frivolous utilities.** You probably don't need all those cable channels and if a cell phone isn't necessary for you, get rid of it.

- **Cut the necessary utilities.** Turn your thermostat in your house and turn off the lights you aren't using. Eliminate and treat areas where heat and energy is lost.
- **Evaluate the expense of working outside the home.** If you and your partner work outside the home, you might want to evaluate your expenses associated with that. Consider daycare, clothing/uniforms, transportation, lunches and more. You'll also want to think about how much money you or your partner could save if one of you was at home. For example, you could do more meal planning and other frugal living ideas.
- **Curb your impulse buying and reduce your discretionary spending.** Use your willpower to walk away, say no thank you and leave it at that. It will be hard the first few times, but after a while it can become quite empowering. It may be hard to believe, but give it a try and you'll see what we mean. And if you really can't walk away try leaving your credit cards and money at home, take only a small "emergency fund" with you.
- **Try more free activities.** There are plenty of free things to do and have fun. Trips to the beach or the park with your family don't have to be expensive. Pack a picnic lunch and you're set. Make a weekly game night and get out the old trusted Monopoly board or whatever you family loves to play.
- **Understand the difference between need and want.** It may sound simple, but sometimes we get caught up when we find a good deal we think we'd be crazy to pass up. If you're someone who is always finding great deals and piling up your closets with stuff you never end up using, it's time to rethink things.
- **Consider do-it-yourself.** If you get regular manicures, consider doing your own. If you have a home improvement project, but are on a budget, consider educating yourself and tackling the project on your own. Many home improvement shops offer free courses.
- **Make a grocery list and monitor your food use.** Go shopping with a list of what you need and stick with it. If you find yourself constantly throwing out spoiled food, re-evaluate your lists.
- **Pay of your highest interest loans/credit cards first.** Get rid of these as fast as you can. Paying of a high interest debt will likely do you more good than

saving money for a rainy day because the interest on the loan will be much higher than the interest you'll earn by saving.

- **Call your Credit Card Companies.** Credit cards are very competitive business. Try calling your credit card company and asking if they would consider reducing your interest rate. You can also shop around for another lower-interest card and transfer your balance over to the lower-interest card.
- **Avoid hanging out at the mall or window shopping for fun.** Simply put, it's a recipe for unplanned spending. Do something else instead.



6. Kids and Money – What to Do When They Don't Want to Save

If you have kids, especially teenagers, you already know how expensive they can be. It may be hard for the kids to understand at first that you're trying to save and budget but it's important you speak to them early on about money and spending.

Far too many people these days live in a cycle of credit card debt and buy much more than they can really afford. Gently explain to your kids the value of money. If they don't understand, try putting it into context for them. For example, the next time your teenage daughter wants to splurge on the cool, new designer bag remind her how many hours of babysitting she would need to do to actually pay for it or tell her how many hours you would have to work to pay for it. Teach your children the connection between earning and spending early on and try to set them up with good saving habits.

Even for very young children, you can take them to the bank with you and open an account for them. Perhaps you can give them an incentive for saving, such as I'll add an extra 5 dollars for every 50 dollars you save. Encourage them to pay some of their birthday money or allowance into the account. They don't have to put every penny in there, but a small percentage on a regular basis can really add up.

Make a game out of it. If you're trying to save money make it a fun event. It may sound crazy but why have everyone upset that they can't go out and spend. Instead, make a game out of it. Plan a reward together for something nice, maybe a family vacation or a nice outing once you've saved a certain amount.

In the meantime, cook meals together instead of ordering out. Play some board games or cards and make homemade pizza. Pop some corn and watch a couple of DVDs rather than going to the movies. Make it fun and put a positive spin on it. You're doing something great for your family and your future so be happy in that thought.

It may take a little while for your kids to understand but try talking to them from a young

age, if possible, about money. Most kids think ATM machines actually just give you money, they don't see the connection that that is actually your money you're spending. Of course, you don't want to worry your kids about finances but it's good for them to know that money doesn't really "grow on trees."



7. Closing

Preparing for your budget and taking an inventory of your financial situation can be a challenge. Sometimes it can even be painful to finally see just how many financial mistakes we're making and how we've accumulated unnecessary debt. That's why many people avoid making proper family budgets.

If you avoid it, it will only continue to keep your family from achieving more of the financial freedom you're looking for in your life. The good news is, taking those first steps is the hardest part. Once you have a clear understanding of your financial situation, start changing your destructive patterns, it gets easier and easier...and the rewards are even greater.

Now that you've read through this ebook, we encourage you to go back through it again, chapter by chapter and start working through the steps to a great family budget that will help you prepare for a great financial future.

And remember you're not alone in the budgeting process. Stop by the *Moms Talk Network Forum* and share your budgeting challenges, ask questions and get support from other moms just like you.

→ <http://www.MomsTalkForum.com>

Here's to your family's financial success!

Alice Seba & Mila Sidman

www.MomsTalkBiz.com

**** Important Business Resources & Freebies On the Next Page ****

8. Resources

Budget Software

- <http://momstalkrecommends.com/mybudgetplanner.html> - Budget software for the whole family – plus special packages for teenagers, kids and college students.

Non-Software System

- <http://www.momstalkrecommends.com/budgetmap.html> - A unique budgeting system that you carry inside your checkbook.

Free Budget Helpers

- <http://momsmoneyhelper.com/family-budget-spreadsheet.html> - Free family budget spreadsheet
- <http://momsmoneyhelper.com/family-budget-worksheet.html> - Free family budget worksheet.