



Have You Reviewed Your Budget Lately?

A recent study showed that 4 out of every 10 Americans spend at least \$1.22 for every dollar they earn.

With our economy in a bit of chaos,

perhaps this would be a good time to review your personal or household budget. If you don't have a budget, this would be an excellent time to start.

A budget simply puts on paper what available resources you have and how you disburse those resources each week or month. A budget should help you see the areas in which you may be spending too much money.

Richard Jenkins, editor-in-chief of MSN Money, is the originator of the concept: "A simpler way to save: The 60% solution." According to Jenkins, if you limit your spending to 60% of your total income, your savings will soar. No doubt, but when I asked some of my colleagues and friends to prepare a budget according to this concept, I received the "you've got to be kidding" stare.

If we could instill the Jenkins theory in every young person graduating from college, we would have millions of millionaires. But life steps in and we find ourselves wanting a larger house and a more expensive car and we lose sight of the 60% solution.

One of my colleagues told me that she subscribes to the 80-10-10 budget. Ten percent of your income goes for religious or charitable spending, 10 percent toward savings and 80 percent for household and other living expenses.

Let's review our types of expenses:

"Fixed" Expenses

This might include mortgage payment, car payment, and maintenance costs like gas and electricity.

"Committed" Expenses

These expenses are not absolute necessities, but rather expenses we've committed to such as music lessons, summer camps, and sports activities for the children. And don't forget the "back-to-school" clothes.

"Oops" Expenses

These expenses can really drain your budget. Repairing a leaky roof, buying a new car, replacing a faulty air conditioner or heater and unexpected medical bills.

"Luxury" Expenses

And, last but not least, the "luxury" items: dining out, going to the movies, vacations, new home theatre system, and holiday gift buying.

Now, let's prepare a simple budget. For example, let's say your take-home pay is \$50,000 a year, after medical insurance and taxes are taken out of your paychecks. Based on \$50,000, here's a possible scenario of your expenses:

- Mortgage payment = \$1200 per month (including taxes and insurance) = \$14,400 per year
- Car Payment = \$400 per month = \$4800 per year
- Gasoline (for one car) = \$200 per month = \$2400 per year
- Household Expenses (gas, electricity, phone, cable, food) = \$900 per month = \$10,800 per year
- Entertainment and miscellaneous = \$300 per month = \$3600 per year
- 2 children (sports activities, music lessons, educational supplies, clothes) = \$300 per child per month = \$7200 per year
- Discretionary spending for charity/savings = \$5000 per year

That gives you a grand total of \$48,200 in expenses. Subtract that amount from your total take home pay and that leaves you with \$1800. Spread that over a 12-month period and you have approximately \$150 per month for unexpected emergencies or needs. Sound familiar?

The Internet has a vast library of helpful financial tools, including suggestions on preparing a monthly budget for your household. Log on today and learn how you can become better equipped to handle your finances in today's economy.

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