



PENNSYLVANIA ASSOCIATION OF COMMUNITY BANKERS

THE VOICE FOR COMMUNITY BANKING IN PENNSYLVANIA SINCE 1876

Consumer Tips February 2009 – Living on a Budget



In today's current economic recession, perhaps now is a good time to sit down, craft a budget and stick to it – even when the economy improves. According to a recent USA Today poll, 60

percent of those surveyed said the current economic crisis is the worst in their lifetime. The economy will bounce back, but the lessons we learn from our budgeting exercise will serve us well for a lifetime.

When it comes to money, there are basically four groups of people. Which of the following groups best describes you when it comes to your financial situation?

- Planners: have total control of their financial affairs.
- Strugglers: have trouble keeping their heads above tough financial waters.
- Deniers: refuse to see they are in financial trouble.
- Impulsives: want immediate gratification. Spend today and let tomorrow take of itself.

Regardless of your current financial situation, a budget will help you to understand where your money goes each month and ensure that you don't spend more than you make.

The first thing you need to do is to calculate your monthly income, then determine how much you spend on monthly bills and lastly, track your daily expenses. As you begin to craft your budget, keep a list of your regular monthly expenses, such as mortgage or rent payments, car payment, utilities, food, gas and credit card payments. Set aside some money each month to take care of occasional miscellaneous expenditures such as appliance repair, car repair, clothes and entertainment expenses. You might also want to set aside some money for holiday gift buying. It is a lot easier to save a little now for those gift purchases rather than putting all of the charges on a credit card in December. The financial experts will tell you that you need to have at least three months of living expenses stashed away for that rainy day.

For one month, carry a notebook with you and write down every penny you spend from buying a pack of gum to going out to dinner. At the end of the month, review

your spending to see which items are priorities and where you can cut back.

We are never too young or too old to budget and save.

- Children learn by example. When dealing with your younger children, take them with you to your community bank and help them open a savings account.
- For your teenagers, help them determine a weekly or monthly spending plan and let them pay some of their expenses.
- College age and young adults should craft a budget leaning toward fulfilling their goals and dreams, whether they want to buy a house or start their own business.
- Newlyweds need to establish a budget in order to start their household on financially solid ground. Prior to the wedding, couples should attend financial counseling and candidly discuss any outstanding debt they may have from student loans or credit cards.
- At mid-life, your budget needs to include saving money for your children's college and for your retirement.
- For those of you looking at retirement, begin to eliminate your debt and determine where your living expenses will come from during retirement so you do not live in fear of running out of money.

The Internet includes enormous resources to help you craft your budget. Budgeting does not have to be difficult, and is very worthwhile if we are to meet our financial goals and dreams.

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