



Have You Reviewed Your Budget Lately?

A recent study showed that four out of every 10 Americans spend at least \$1.22 for every dollar they earn. With our economy strained, perhaps now

would be a good time to review your personal or household budget. If you don't have a budget, this is 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 overspending.

Richard Jenkins, editor-in-chief of *MSN Money*, originated the concept: "A simpler way to save: The 60 percent solution." According to Jenkins, if you limit your spending to 60 percent of your total income, your savings will soar. True, but unfortunately a common reaction to this concept is 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 — thus we lose sight of the 60 percent solution.

An alternative that some subscribe to is the "80-10-10 budget." Ten percent of income goes toward religious or charitable spending, 10 percent toward savings, and 80 percent toward household and other living expenses.

Let's review various types of expenses:

"Fixed" expenses -

These expenses include mortgage payment, car payment, and maintenance costs such as 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 "back-to-school" clothes.

"Oops" expenses -

These expenses can drain a budget, such as repairing a leaky roof, buying a new car, replacing a faulty air conditioner or heater, and unexpected medical bills.

"Luxury" expenses -

Last but not least are 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 = \$1,200 per month (including taxes and insurance) = \$14,400 per year;
- Car payment = \$400 per month = \$4,800 per year;
- Gasoline (for one car) = \$200 per month = \$2,400 per year;
- Household expenses (gas, electricity, phone, cable, food) = \$900 per month = \$10,800 per year;
- Entertainment and miscellaneous = \$300 per month = \$3,600 per year;
- Two children (sports activities, music lessons, educational supplies, clothes) = \$300 per child per month = \$7,200 per year;
- Discretionary spending for charity/savings = \$5,000 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 \$1,800. Spread that leftover amount 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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