

# THE ONLY BUDGETING BOOK

How to Save Money and Manage  
Your Finances with a Personal  
Budget Plan That Works for You

# YOU'LL EVER NEED

Assess your spending patterns  
Identify potential cash-flow problems  
Set realistic goals and priorities  
Reduce your biggest expenses  
Eliminate debt and increase your savings

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TERE STUFFER

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To Maxie, who has her own smaller budget (doggie day care, chew bones, lots and lots of food), but deserves an even bigger one!

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## Introduction

### Your Budget Will Help You Get What You Want

Establishing a budget is the act of deciding how much of your money you're going to spend on one item, how much on another, and so on, before you're actually in the position of spending the money. Sticking to a budget is the act of following through on those decisions. Creating a budget isn't easy, but sticking to any budget is extremely difficult.

The trick is to focus on the word *realistic*. It doesn't take much research or many difficult decisions to decide that you're going to spend \$200 per month on food. But if you've never spent less than \$500 per month on food, you'll blow your budget right out of the water the first week. Instead, before you begin deciding on the numbers in your budget, you'll need to fully assess your current situation, take a hard look at where you can cut back your financial obligations (both large and small), restructure your debt (if necessary), and see whether you can add income. Only then are you ready to decide realistically where every penny will be spent.

A budget is a tool, and like all tools, the results you get from it will be determined by how you use it. If you make a realistic budget and stick to it, you can watch your life move forward. If you set unrealistic budgetary expectations and don't even bother to follow through with them, don't think your financial problems are over.

### Setting Budgetary Goals

Used correctly, a budget doesn't restrict you; it empowers you. You're going to establish a budget because you have financial goals that are not being met. For example, you may want to:

- Be able to pay all your bills from your paycheck—and maybe have a little left over
- Buy your first house

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- Save for retirement but can't seem to find any extra money to get started
- Pay off all your credit cards and never get into debt again
- Give more money to your church or to other nonprofits
- Be your own boss
- Take a vacation
- Stop hearing from the hospital about your medical bills
- Buy a new—or at least newer—car
- Stay home with your baby
- Remodel part of your house
- Pay for laser eye surgery
- Finance at least part of your child's college education
- Buy health insurance
- Rebuild your credit
- Find a way to care for your aging parents
- Finally build your dream house
- Take a leave of absence from your job to work in the Peace Corps
- Go back to school and begin a new career
- Buy the downtown coffee shop when the current owners retire
- Get a whole new wardrobe

Are any of these your goals? If so, budgeting will get you there, even if the odds seem impossible right now. Even if you're stuck in a job you don't like, desperately want to go back to school, have to take care of an aging parent, and have \$19,000 in credit card debt, you can meet your financial goals—just as others have done before you. With a good budget, a little patience, and a whole lot of determination, you'll eventually get there.

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# PART I

## Getting Started

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## Chapter 1

### What Do You Need to Create a Budget?

You might be tempted to answer this question with something clever like “money.” But if you do that, you’re missing the point. Creating a budget isn’t about having money; it’s about figuring out what you’ve got, what you’re spending it on, and how you can realize your dreams.

In order to do this, you’ll need some basic tools.

### A Computer

Of course, people made budgets in the days before computers, and you can still make a perfectly good one, sitting at the kitchen table with a pencil, a pad of paper, and a calculator. But why not do things the easy way? If you have a good, working computer, put it to work for you. Create a folder marked “Budget” (or something similar) so you know where all your files are going to go. If you have thoughts about your budget and about ways you can save money or extra sources of income you forgot about, note them down and toss them into the “Budget” folder. That way, they’ll all be centralized, and you can get at them easily.

One note of caution here: you’re going to be putting down in written form a lot of confidential information—not your password to your online banking account or something obvious such as that, but certainly information about your finances that you might not want other people to see. Make sure your computer’s security systems are strong. If possible, create a password protection for your “Budget” folder so only you (or anyone else you authorize) can get into it. Remember, these are your dreams we’re talking about. You don’t want anything to get in their way.

The Right Software

There are all kinds of financial software programs out there, each one

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claiming that it's the *only* one you need. I won't recommend any one of them in particular, although if you decide to use one, get a clear idea before you buy it of what it's offering. After all, you're inaugurating an era of responsible spending, so you don't want to purchase something that isn't exactly what you want or need.

On the other hand, you can bypass all those bright, shiny programs and just do the work and construct the spreadsheets yourself. It's not hard—as you'll see in the following pages—and if you have a quality spreadsheet program such as Microsoft Excel, you'll be in good shape.

## Spending and Income Records

One goal you're going to accomplish as you go through this book is keeping accurate and careful records of your expenses and income. However, it's possible that you've not been doing that up to now.

Assemble all your bills in one place, possibly in a folder or other container so you won't lose any of them. At your local office supply store, you can find expanding accordion folders, each slot marked with the name of the month. These are great for keeping bills, since you can file them as they come in based on when they're due.

In a separate folder or box, keep your pay stub records. This applies whether you're paid with physical checks or through direct deposit into your bank account. You need to see exactly what's coming in and when you're receiving it. Keep the stubs in the order in which you receive them. Also in this folder, keep stubs of any other checks you receive (tax returns, gifts, etc.) These records are essential both for budgeting and for tax purposes.

Most financial advisers recommend keeping your financial records for at least three years. This doesn't need to be a huge burden; just make sure you keep them sorted and somewhere you can have easy access to them if you need them. When it comes time to get rid of them, I strongly recommend purchasing an inexpensive shredder from an office supply store and shredding them. This way you minimize the possibility of identity theft.

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## ■ BUDGETING TIP

One of the ironic consequences of the growth of technology has been that it's easier for people to obtain illegal access to your records. There are a lot of things you can do to protect yourself against this (see *How to Survive Identity Theft* by David H. Holtzman, Adams Media, 2010), but one of the most important ways is to shred your personal documents rather than just throwing them away. This particularly applies to old, expired credit cards. *Never* just throw them away. Shred them or, minimally, cut them into very small pieces. There's no reason to give identity thieves a helping hand.

## A Quiet Place to Work

You're about to embark on one of the most important things you can do to realize your hopes and dreams. This is big. It's important. And to do it right, you need some peace and quiet.

Constructing a workable budget is something that takes concentration and hard thought. It's not easy to find those things in a room filled with shouting children, barking dogs, meowing cats, and a spouse who wants help with a clogged dishwasher drain or finding where the tie is that he threw across the back of a chair last Thursday.

Pick a time when you're going to be alone. Find a place that's comfortable and away from the tumult of your daily life. If you like, put on some nice background music or sounds; you'll make better decisions when you're relaxed.

As mentioned above, you're going to need an effective storage system for your income and spending records. Make sure they won't be disturbed or accidentally thrown out. Make clear to members of your family that what you're doing is important; after all, their dreams are at stake too.

All right. Got everything? Relaxed? Right. Here we go.

The logo for Lituz.com, featuring the text "LITUZ.COM" in a bold, italicized, sans-serif font. The text is contained within a rounded rectangular border with a thick black outline.



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