

How To Budget

STEP 1 – BUILD AWARENESS

Budgeting is about *awareness* first. To become aware of your spending habits, Options Financial Residential Mortgage encourages you to take the following steps:

Track all of your expenses for a total of 3 months.

If you use a debit card for the majority of your expenses, you can export your transaction history into an excel spreadsheet.

Organize your expenses into general categories.

Limit your number of categories to 12. For example, use *eating out* as a catch all for *restaurants, coffee, and fast food*.

The more categories you have, the more difficult it will be to follow a budget. As General George S. Patton, Jr. once said, "A good plan, violently executed now, is better than a perfect plan next week."

Total each category.

Calculate your average monthly spending by dividing your total expenditures by the number of tracked months.

Do any amounts stand out to you as being abnormal? Were there any outlying expenses during your tracked period?

Evaluate categories in which you feel you spend more than necessary. What can be done in the future to decrease this amount?

STEP 2 – REVIEW YOUR SPENDING PATTERNS

Now that you have an organized visual representation of your spending habits, you can easily review your *spending patterns*.

Take a moment to ask yourself the following questions:

Am I satisfied with how I spent my money?

If I had the choice to do it over, would I allocate my money in the same way?

Which areas have made me uncomfortable or disappointed in my spending patterns?

After you have a clear idea of your answers to the questions above:

Identify all areas in which you would like to make positive improvements.

Would you like to increase your monthly debt payments? Put more into savings and investments? Increase your charitable donations?

Prioritize your list of discomfoting spending habits.

Which spending habits bothered you after reviewing your spending patterns?

What desired spending changes would you like to begin making?

STEP 3 – MAKE A BUDGET

It is now time to move forward and generate a *budget* that you can follow.

Create a template.

Place the monthly average of each tracked category into your budget.

Implement your priority changes.

Begin at the top of your list. Make changes to your budget in regards to your first priority only.

If you wish to alter your budget in more than one category at a time, try to limit yourself to a maximum of three areas. Too many changes can be overwhelming and result in feelings of defeat.

Plan to implement all of your budget changes in small steps over a long period of time.

Follow your budget for 30 days.

It takes 30 days to form a habit.

At the end of the first 30 days, review your success. How did your planned changes play out?

Check back to your priority list.

What is the next category in which you would like to improve?

Remind yourself that small changes over a long period of time will prove to be more successful than trying to fix all of your discomforting spending habits at one time. Budgeting is not a sprint, but a marathon.

STEP 4 – HAVE FUN AND ENJOY YOUR SUCCESS!

Begin living your life free of financial stress. Take control of your expenses and feel confident in your spending habits!