

How to Live On a Budget...and Still Have a Life!

According to the American Psychological Association, an estimated 60% of illness is directly or indirectly caused by financial stress. Most of that stress comes from over-spending...and most over-spending is caused by two things: not having a plan (budget), and/or not sticking to your plan.

The First Steps:

Next month take an inventory of everything you spend (both what and where). Place your spending in to two categories:

- **Typical Spending** – Things you buy or bills you pay most every month (such as groceries, the electric bill, rent or mortgage, etc.)
- **Atypical Spending** – These are items that don't occur monthly, such as gifts or your vehicle registration.

Then, get a clear picture of how much income you receive each month. If your income varies, determine an average amount you bring in (and rarely go under).

Once you have these two pieces of information, you're ready to work on a budget.

A good rule of thumb to start with is the 10-10-80 rule, which means you SAVE 10% of your net income, GIVE 10% and SPEND 80%. Here's how it works:

- 1) **Save 10%.** Skim that 10% savings off the top right away. Set up an automatic transfer in to a savings account so you don't see or think about it – this will dramatically decrease the temptation to under-save and over-spend.
- 2) **Give 10%.** Find an organization (or two) you want to donate to and establish a giving commitment with them that equals 10% of your net income.
- 3) **Spend 80%.** Use a budgeting worksheet to plug in all your monthly expenses (such as utilities, loan payments, etc.), and then determine how you'll manage the remaining spending money. Keep in mind you'll want to account for your "atypical spending" that occurs throughout the year to ensure you'll have money stored-up when those expenses roll around.

Finally, the last two components of any good budgeting plan are to **establish a rewards system**, and **regular review and evaluation**. Set up milestones and rewards along the way – this will help keep you motivated and lessen your feelings of deprivation. Also, mark the 6-month or 1-year anniversary date of your new budget to review your plan to ensure it's working, and to celebrate the progress you've made. You'll also want to update your budget numbers if your income has increased or you've paid off debt (woo-hoo!).

Creating a budget will not only improve your financial future, but will most certainly reduce your stress levels now and in to the future.