15

Essential steps in creating a budget

Getting Started

☐ **Decide to start a budget**

It marks a conscious commitment to understanding and managing your money effectively. By embracing this initial step, you lay the foundation for a more secure and intentional approach to money management, paving the way for future financial success and stability.

☐ **Determine how much you currently have**

This involves taking stock of your liquid assets—money readily available for spending or saving. Include your checking accounts, savings accounts, and any other sources of cash you can easily access. This step provides a clear snapshot of your immediate financial resources and forms the baseline for your budgeting journey.

☐ **Review how much you earn**

The third step in creating a budget involves a comprehensive review of your income. This entails not only considering your primary job but also accounting for any secondary sources of income or irregular earnings. Understanding the entirety of your income stream is crucial for making informed financial decisions.

☐ **List out your monthly expenses**

To list your expenses for a budget, start by categorizing them into fixed and variable expenses. Fixed expenses, such as rent or mortgage, utilities, and insurance, remain consistent each month. Variable expenses, like groceries, entertainment, and dining out, may fluctuate. Be thorough and account for all possible expenditures, including subscriptions, transportation costs, and debt repayments.

☐ **Review how much you owe**

This entails compiling a comprehensive list of all outstanding loans, credit card balances, and other financial obligations. Understanding the total amount owed, along with interest rates and repayment terms, provides a clear picture of your financial liabilities. Typical types of debt people may have include mortgage, car, student, credit card, and personal loans.

☐ **Determine your net worth**

To calculate net worth, subtract your total liabilities (debts) from your total assets. Assets include everything from cash and investments to property and valuable possessions. This process not only provides a snapshot of your current financial standing but also serves as a barometer for measuring your financial progress over time.

Emotional side of budgeting

Keep it simple

Complex budgeting systems can be daunting, discouraging individuals from actively engaging with their finances. By simplifying the budgeting process, individuals are more likely to establish and maintain a sustainable budgeting routine.

Establish a time period (weekly or monthly)

Choosing a time period that aligns with your personal preferences and financial habits ensures consistency and reduces the stress associated with constant budget adjustments. It transforms the budgeting process into a routine, allowing individuals to develop a healthier relationship with their finances.

Make sure everyone involved is on the same page

Collaboratively setting priorities, discussing spending habits, and agreeing on shared financial objectives create a unified approach. This step not only fosters a sense of teamwork but also minimizes potential conflicts or misunderstandings, reducing stress and promoting a positive emotional environment.

Set yourself up for success

This means establishing realistic and achievable financial goals, acknowledging your unique circumstances, and understanding your spending patterns. Setting overly ambitious targets can lead to frustration and disappointment, negatively impacting your emotional well-being.

Define your spending priorities

By clearly outlining what matters most to you, whether it's essential bills, savings goals, or personal indulgences, you establish a framework for making intentional and fulfilling financial decisions. This step not only provides a sense of control over your spending but also aligns your budget with your values and aspirations.

What to expect moving forward

Make adjustments along the way

The key is to approach your budget as a flexible tool that can be adjusted as needed. Financial situations evolve, unexpected expenses arise, and life brings new challenges. Regularly review your spending patterns, income, and financial goals, and be prepared to make necessary tweaks to your budget.

Try adding on instead of only cutting back

Instead of solely focusing on reducing expenses, consider ways to enhance your financial situation by adding positive financial habits or income streams. This could involve exploring opportunities for additional income, like a side hustle, or incorporating smart savings strategies to boost your financial resilience.

Strategically pay down expensive debt

Identify debts with the highest interest rates, such as credit card balances, and prioritize paying them down aggressively. By strategically allocating funds to tackle these expensive debts first, you minimize the overall interest accrued and accelerate your journey toward financial freedom.

Track and monitor

Regularly track your income, expenses, and savings to ensure that your financial plan stays on course. Utilize budgeting tools, apps, or spreadsheets to streamline this process and gain valuable insights into your spending habits. Monitoring your budget provides the opportunity to identify trends, spot potential issues, and celebrate achievements.

Be disciplined

Discipline plays a pivotal role in adhering to your financial plan, making intentional choices, and resisting impulsive spending. It involves staying true to your defined spending priorities and consistently following through on your budgeting strategies. While challenges may arise, maintaining discipline ensures that your financial goals remain at the forefront of your decision-making process.

Budgeting Worksheet

As you create your budget, aim to have your total expenses less than your total income. The extra cash could fund your savings account or help with unexpected expenses.

Category	Type	Amount
Paycheck	Income 1	
	Income 2	
Other	Income 3	
	Income 4	
	Income 5	
Total	**Income**	
	Rent	
	Mortgage 1	
	Mortgage 2	
	Mortgage 3	
	Cleaning Services	
Housing	Home Repairs	
	Cell Phone	
	Cable/Internet	
	Utilities	
Bill and Utilities	Power and Gas	
	Daycare	
Kids	Other	
	Groceries	
Meals	Eating Out	
	Car	
	Gas	
Auto and Transportation	Parking	
	Health Ins.	
	Car Ins.	
Insurance	Life Ins.	
	Beauty	
	Health	
Health and Fitness	Gym	
	Shopping	
	Decorating	
Shopping	Pet	
	Hobbies	
Entertainment	Other	
	Expense 1	
	Expense 2	
Business	Expense 3	
	Giving	
Gift	Other	
Loan Payment	Loan Payment	
Fees and Charges	Fees and Charges	
Education	Education	
Travel	Vacation	
Miscellaneous	Miscellaneous	
Savings	Savings	
Total	**Expenses**	

Thank You!

RSA Deasil Advisors LLC is an advisory firm that provides one-on-one advisory services, public speaking, literary works, and positive symbols of financial security. Our goal is to leverage our structure to increase the wealth of the communities we serve.

Randall Avery, CFP®, CFA is a trusted, Fee-Only, CERTIFIED FINANCIAL PLANNER™ with over 15 years of finance and accounting experience.

WWW.RSADEASIL.COM

DEASIL@RSADEASIL.COM