

# ROAD TO HOMEOWNERSHIP

## Part 2: BUDGET

By Bev Hedrick

“I don’t know where my money goes!”

Do you sometimes feel like no matter how much you earn there’s never enough? If you dread the thought of setting up a budget, take heart. Those who have succeeded in organizing their finances will tell you that working with a flexible budget actually reduces the stress of feeling like you never have enough.

To get a handle on your finances, start by getting your income and expenses



down on paper. Use the following directions and the two budget forms provided and you’ll have a clear picture of your money situation.

(Note: you may want to use a pencil so mistakes can be erased.)

### Step 1

#### Current Expenses

Be honest with yourself. Where does your money go? No matter how trivial the expense may seem, they add up.

A budget, like a road map helps you get where you want to go, but you can’t plan the best route to your destination until you figure out exactly where you are now. Using the Budget Analysis form

fill in each line by averaging out your basic weekly expenses.

Your TOTAL weekly expenses give you a picture of what it really costs to live.

Next, write down the amount of your take home pay. Subtract the total of your average weekly living expenses from your weekly take home pay to see the Amount Available for Debt and other goals.

### Step 2

#### Fixed Expenses

This time, write down fixed payments only. Eliminate frivolous items, we will include those later. (See Tips)

### Step 3

#### Prioritize

What items do you purchase on a regular basis that aren’t necessary? List them all.

### Step 4

#### Can you afford this?

Maybe you zeroed out. You’re thinking, not too bad. What about your house? Are you saving for that? What about Christmas? Did you save for that, or were you planning on running up more credit card debt? What if you are out of work for a while? Do you have at least two months reserves? What will you do? Not to mention retirement.

## Step 5

Facing the truth

Did you zero out or come out negative and you're only spending money on fixed expenses? If so, it might be time to meet with a credit counselor to get you on track. The credit union offers credit counseling for our members and we can assist you in planning.

## Step 6

Moving Forward

So, you're at the point that you have money left over? Great, let's plan for that first home purchase!

### Ask for Part 3: Buying

## TIPS

What is your weakness? Is it candles? Clothes? Shoes? Car Accessories? Girlfriend? Boyfriend?

Budgeting does not mean you have to cut out these expenses. You work hard for your money and gratification enables you to stay on your budget.

If you are having trouble currently, making ends meet. You will have to eliminate these weaknesses to get caught up. Don't worry, the light at the end of the tunnel isn't a train!

So, you're used to buying a candle every week. Or, maybe it's the latest CD. "I work hard, darn it, I'm buying myself something!"

Don't make excuses for your situation. Face it. If you usually buy a CD once a month, change two every two months. The same is true for candles, etc. Are those new rims really more important

than having a home of your own? If you must, set aside a small amount of money every month for those rims.

Don't buy on impulse! If you love going to the bookstore, don't take your wallet with you. Leave it at home! This will give you time to go home and think about how important this purchase really is. And, how many pairs of tennis shoes or black shoes do you REALLY need?

Make a list when going to the grocery store and stick to it! Turn off lights when not in need. Turn AC up during the day when you're not in. Invite friends over for pizza and a movie instead of going to clubs or to dinner. You probably all need to save anyway!

Don't carry extra cash. It's much too easy to spend.

Don't keep extra money in your checking account. Put it in a savings account. A new one, if your ATM card can access your current savings account.

Constantly re-evaluate your spending habits. Save for big-ticket items instead of financing them, you'll appreciate them a lot more! Set aside money for emergencies, they happen when you least expect them, and most often, when you can least afford them.

After a while of saving, you will find that you are hesitant to take money out of your savings account for "extras". You appreciate the self-respect that comes with having money.

You'll feel better in general because your worries will decrease! And, before you know it, you'll have enough for your new home!