

# 6-Step Budget Checkup

A thorough budget checkup involves six steps:

## Creating Some Categories

Start by dividing expenses into useful categories. Some possibilities: home, auto, food, household, debt, clothes, pets, entertainment, and charity. Don't forget savings and investments. It also may be helpful to create subcategories. Housing, for example, can be divided into mortgage, taxes, insurance, utilities, and maintenance.

Go through all the receipts and statements gathered to prepare taxes and get a better understanding of where the money went last year. Track everything. Be as specific as possible, and don't forget to account for the cost of a latte on the way to the office each day.

## Following the Money

## Projecting Expenses Forward

Knowing how much was spent per budget category can provide a useful template for projecting future expenses. Go through each category. Are expenses likely to rise in the coming year? If so, by how much? The results of this projection will form the basis of a budget for the coming year.

Add together all sources of income. Make sure to use net income.

## Determining Expected Income

## Doing the Math

It's time for the moment of truth. Subtract projected expenses from expected income. If expenses exceed income, it may be necessary to consider changes. Prioritize categories and look to reduce those with the lowest importance until the budget is balanced.

If it's not in the budget, don't spend it. If it's an emergency, make adjustments elsewhere.

## Sticking to It