



Creating a Family Budget and Sticking To It.

There is no better way to control your spending than to keep a family budget. The time you invest in creating and tracking your budget can keep you ahead of financial difficulties throughout the year.

Making and sticking to a budget is the cornerstone of a solid financial footing. A budget helps you control your spending, manage your debt, and meet your immediate and long-term savings goals. Tracking your budget can be a valuable eye-opener, as aspirations collide with reality.

Select a method to keep your budget. Some folks feel most comfortable doing budgets using paper and pencil. However, you'll find it much more convenient and accurate to keep your budget on a spreadsheet or a personal finance application. An electronic application can integrate your budget with other money management tasks, such as account tracking, bill payment and saving/investing.

Understand where you stand right now. Review at least two months of bank and credit card statements. Examine your spending and income, noting where you spend the most. Identify areas of concern, including overspending for discretionary items or running short of cash each month. Note whether your credit card balances are growing and how much savings you put aside, if any.

Write down your income and expenses. Create your monthly budget and list all sources of income. Below that, populate the expense section by listing each way you spend money during the month. List nondiscretionary expenses, like rent and utilities, first, followed by discretionary items in order of importance to you. Then, use the results of your financial review to put in appropriate amounts for each budget item. Ensure that your expenses do not exceed your monthly income.

Create a budget you can stick to. Your budget should reflect your goals and your personality. To be realistic, it should allocate some money for the discretionary spending most important to you. Balance your spending preferences to meet the financial goals you've set for yourself and your family. Set up automatic payments wherever possible to pay your bills, reduce your debt, and save for the future. Finally, track how you actually spend during the month and adjust accordingly.

This material was prepared by LPL Financial.

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