

# Budgeting for Mere Mortals

*"He who does not economize will have to agonize"*  
*Confucius*

Over the years I have experienced a number of different “stations” in life. I have been young, single and doing OK. I have been young and single doing great. I have been married and a mother, doing OK. I have been a single parent and NOT doing OK. I have been a single parent and doing great. And I am now a single parent of adult children doing OK. The one common trait I have learned as I reflect back is that the one time in my life I felt the worst and had the worst health was when I was in debt.



I may be at a point in time in my life that I am no longer making the big bucks, while the cost of living is increasing by leaps and bounds, but I am out of debt and my health has never been better. I am enjoying life despite the tribulations of the economy around me. There is no more monkey on my shoulder that is weighting me down or holding me back. I am more independent and self-reliant. My dreams and goals are within my reach, thanks in part to my budgeting goals and stubborn tenacity. Yours can be too.



Let's face it budgeting is like cleaning the toilet; it's a pain the “arse” yet must be done or we just don't feel right. Life is just too darn short to spend most of it not feeling right. So how do we attack this financial chore and keep our sanity? The first and hardest step to me is self examination of your own lifestyle.



## Life Style Self Examination – Needs vs. Wants



I am a visual person when trying to grasp a difficult problem, so I tend to make lists to visualize each related issue. I do this with self-examination too. Take a sheet of paper and then look at yourself and visually and physically write down your Wants and Needs. Keep in mind that Needs are what you as a human cannot survive without, like food and water. Wants are your desires and wish list items, but they do not sustain human physical, spiritual or emotional life.

This is hard because when it comes to say food, for example, we Need food but having Sirloin Steak or caviar 5 days a week is a Want and not a Need.



We Need shelter. That shelter must be healthy and sturdy. It must keep us dry, warm or cool and reasonably comfortable. It is a Want to have a spa bath off a master bedroom suite that is large enough to hold the entire family without bumping elbows. It is a Want to have the heat turned up to 80 in the winter so we can run around naked or in summer clothing while in the house.

We Need clothing to protect our fragile human bodies. We may Want that designer pantsuit or mink coat, but we do not Need them to survive.

We Need liquids, water in particular but we may Want, milk, juice, wine, soda, beer or fancy bottled water. We humans love variety, but we do not Need it to physically survive.

Where this really gets difficult is when we look at items in our life styles, like comfort foods. We love comfort foods but do not need them to physically survive. Yet at some point a certain amount of

comfort foods are needed to keep our spirit or emotional state healthy. This is where Moderation comes into play and we humans historically have a very hard time with moderation.



When budgeting, the Needs and Wants List has to include just about everything along with the kitchen sink, so be as detailed and honest as possible.



### Moderation

Taking your Wants List, write down how often you indulge in Wants. Go ahead and include a weekly bubble bath or spa treatment, the weekly movie or dinner out and deserts or junk foods. Be honest and list all these “Comforts” for your emotional health that you indulge in and where there is an expense, list these costs. You will use this later to calculate the costs for a month and year.

Now apply Moderation to them. If you get your hair or nails done every week or month, list how much money you would save if you reduced that to every two weeks or months. Most likely you will find out that your emotional health does not suffer and now you have extra monies for other things, be them wants or needs.

*“Earth provides enough to satisfy every man's need,  
but not every man's greed”  
Mahatma Gandhi*

Do the same for your Needs List. This is where you include mortgage or rent, utilities for heat/cooling, lighting, cooking and storing foods. Watch out when you reach clothing and be sure to only include the Needs and not the Wants or Desires. No name brand designer tags, those items belong on your Wants List.

If you are like most people there will be a few Wants or Desires with costs where the costs can't really be separated out, like: TV or Stereo, where it is hard to tell how much the electrical cost is compared to the Needs electrical costs. Or items like satellite or cable TV, lighting or phone services (landline and cell) or internet services, appear as Needs but most of the time are not. Other items like milk or juice you may see as Needs, but are really Wants because as long as we have water and eat properly we get all the fluids and nutrients we Need from other food items. Do however separate French Fries, chips, dips, soda and alcohol, top grade meats and deserts out, or the purchases/rentals of DVD's and CD's.

Utilities can be reduced by lowering the thermostat in the winter to 67 or 68 degrees and raising it to 75 in the summer. Using a glass for brushing your teeth or filling the sink with water for shaving and washing your face or reducing shower time from 15 minutes to 10 minutes and baths from every night to every other night.

*“Our necessities never equal our wants.”*

*Benjamin Franklin*

Further utility savings can be accomplished by applying the myriad of “green” energy techniques and gadgets. But don't be too drawn into these gadgets, some actually cost more money than the savings they provide. For instance replacing all single pane windows in a house costs thousands, when for a few hundred dollars and a little human involvement, you can replace all your drapes with thermal backed drapes and open and close those drapes accordingly each day.

You should now have a decent list of items to apply Moderation to by cutting each item in half. Or if you feel you must wean yourself, cut them by one quarter the first 3 months and one third the second 3 months. Put the savings into a jar or tin can labeled Moderation Savings. So if your electric bill gets lowered by \$2.00 a month, that goes in the Savings Jar and do not spend it for at least a year. Take a look at this Savings every few months and record the amount of savings. Or if you don't want to wait that long, at least keep a record of how much you save after several months and extrapolate the annual savings. I did both.

**A key aspect of taking control of your financial life is to Get Organized.** Now I am far from an organized person, despite what my family and friends believe. You see I am a “pile person” by nature. I have piles that are for bills, piles for shopping coupons, piles for paycheck stubs and the like. So my first challenge was to get all this stuff into some organized fashion and in a relatively safe storage place. I did this by putting my piles into large manila envelopes and then the envelopes in one cube type cardboard storage box. This took several weeks and several re-distribution sorts until I had the information in groupings that would allow me to accomplish the next critical steps to a budget so that I could design one to meet my needs and stick to it too.

- First it was two envelopes: expenses and income.

- Then those were broken down into some specifics like: Mortgage, Auto, Groceries, Medical/Dental, Credit Cards, Utilities (which included phone and cable TV), Pay Stubs, Income Tax Returns and so on.
- Then I got even more detailed and had envelopes for each utility, each child, auto maintenance from insurance and the loan, groceries were separated from food stuffs and health and beauty stuffs, RX's also had their own envelope, Child Support became separate from pay stubs and stock interest and so on.

Once I was actually on a budget and debt free, these envelopes became file folders and the general break down envelopes became my weekly and monthly collection envelopes, which I keep in very easy to see, reach and use on a daily basis locations. For instance the envelope for all expenditure receipts like groceries or RX's is in the kitchen, the rest are in a box in my study. I no longer go more than a month before recording and filing these items away. Tax time has become a breeze and I need very little time or effort to save for a new goal. I am also achieving more goals than I ever did in the past.

Whatever you do, find a technique and storage place that works for you and then stick to it.

*“Man falls from the pursuit of the ideal of plan living and high thinking the moment he wants to multiply his daily wants. Man's happiness really lies in contentment.”*

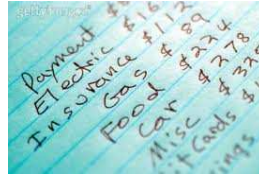
*Mohandas Gandhi*

#### Making the Budget Requires Analysis of your Financial Health



Once you accomplish these prerequisite steps it is time to get down to the nitty-gritty of analyzing your income vs. expenses to create a budget. I have found that by creating the Wants vs. Needs list and the Moderation List before creating a budget, increases the success rate for the budget you do create. Creating a budget has several consistent steps no matter where you go to for information and ideas on budgeting.





**Gather every piece of financial statement, bill and information you can on both income and expenses.** Utility bills, credit and loan bills, investment statements, payroll stubs (that include all tax and benefit deductions you make), last year's income tax information, bank statements, grocery receipts, clothing receipts, entertainment receipts, vehicle maintenance, gas receipts and the like. It is wise to have a year's worth as this will give you the most detailed look at seasonal expenses that can be averaged out to monthly amounts for the budget. But in a pinch 6 months worth can be made to work. Just remember the more information, the more accurate your budget will be and the easier the budget will be to follow.

**Create a detailed list of all your sources of income from the documents collected above.** Think of this list as a table or spreadsheet. List the months across the top (columns) for the amount per month and the income source along the side or rows. Be sure to include any self-employed or outside sources of income. If your income is in the form of a regular paycheck where taxes are automatically deducted then be sure to use the net income, or take home pay amount and not the gross.



**Create a detailed list of all your expenses.** Again make a table or spreadsheet with months and expense type for each amount. It is here that some things you only pay once every 3-6 months or so, like life and auto insurance will show up. Maybe your state has an annual vehicle inspection that must be done. Or you may have an annual medical physical or dental check-up. List these in the month they are due or you usually have them done.

**Determine which expense and income sources are fixed and which are variable.** Take each of the above sheets and put all the fixed items first and then all the variable. For instance utility costs are variable, while auto insurance costs are fixed. If your salary is not based on hourly wages worked or commissions, then it is fixed, otherwise it is variable.

Basically fixed expenses and incomes are those that stay relatively the same each month and are required parts of your way of living. These are usually essential yet not likely to change in the budget from month to month.

Variable expenses and earnings are the type that will change from month to month. In the case of

expenses this is where we looked at our Moderation items like utilities, groceries, gasoline, entertainment, eating out and gifts.

*“Learn to live with less. Learn to shun envy.  
Appreciate what you have.  
If you have less, you will appreciate what you have more.”  
All Things Frugal*

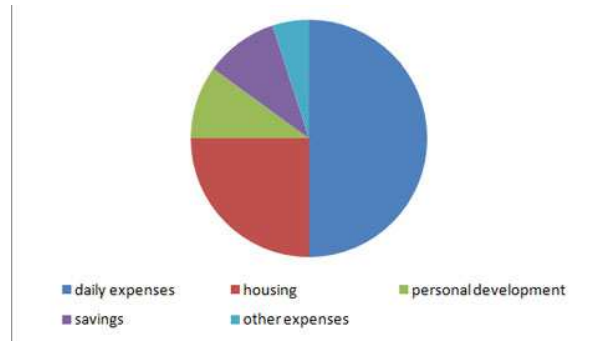
**Add each year’s worth of expenses and earnings for the year, then divide by 12 to get an average monthly amount.** This is your Estimated amount of income and expense, the first major figures for your budget. Do this for both your general overall and with the detailed individual expense and income types. Some items like auto insurance or property taxes you may only pay 3-4 times a year. No problem, the figure this calculation will give you is what you need to set aside each month to make those payments, be they every month or scheduled throughout the year.

These average monthly expenses and income figures will help you determine where you can and need to cut expense, so that your budget can be realistic and easy to follow.

Closely study the average expense amount to the average earnings amount. This will help you to prioritize any excess in your expenses for Moderation and then re-allocation of the monies saved for other items that are important to you like retirement savings, accumulating food storage, a child’s college education or paying more on credit cards to eliminate that debt faster and the like.



If this comparison shows a higher expense column than income, you need to review your Moderation and Variable lists, make more cuts and see if this makes up the difference. If it does not, time to get really honest with yourself and re-evaluate your Needs and Wants to make even more changes. This is where you may find you need to downsize your home, or sell your new vehicle to purchase a cheaper model or used version or downsize your annual vacation to one much less expensive. In really extreme discrepancies, you may need to utilize a financial or debt counselor to assist in building a plan to get these figures equal. If this is the case always check with the Better Business Bureau before selecting your advisor.



### Put the Budget In Writing

This is where a spreadsheet or table document will be most helpful. It is far easier to stick to a budget if you can see it and track your progress towards your goals easily.

There are many budgeting worksheets and the like on the internet and freely offered by banks or other financial institutions. However, I have found that the K.I.S. (Keep It Simple) principle is the most successful. I prefer Spreadsheets, like an Excel Workbook, for this as you can have all the general and individual detailed “tables” or forms in one file. However if you would rather use word processor tables – go for it. I have attached an Example Budget Worksheet for you to use as a reference.



### Sticking To It – Pitfalls and Tips to Succeed

The previous steps have actually given you your budget. Your budget should have monthly and annual goals, where the monthly gives you the means to make small steps towards the overall annual goal. Like saving a certain amount of money for that big vacation or weekly food savings for using towards preparedness items you wish to accumulate. Now is the time to Stick To It! Any budget is only as good as it is accurate and your ability to follow it. It’s like a diet; you have to start with more than just good intentions in order to see it through to your goal.

*“Men are so simple and so much inclined to obey immediate needs that a deceiver will never lack victims for his deceptions.”*

*Niccolo Machiavelli*



**To succeed you need to have a positive attitude with defined realistic goals.** You want to get out of debt soonest. You want to build that house in the country in 5 years. You want to travel to Europe as soon as you retire. You want more monies for your child's college fund. Whatever your goals are they will be your motivation, so the more realistic, the better.

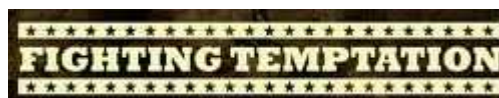
This is where that Savings Jar or can comes in handy. If you put your savings in there and then every month or so count it and put in savings – you can visualize almost daily that you are accomplishing your goal and that in itself is a very powerful motivator. You not only feel your accomplishment, you can see it!

Several things led to my getting in debt and I am willing to bet that everyone one of us has had these issues more than once in our lifetimes, in at least a small way.



**Easy Access to Credit** is the pits and we are bombarded via advertising and marketing to get this credit card or take out this loan to get this much deserved “thing”. Just for one day pay attention to the commercials, magazine, newspaper, billboard, radio and TV ads. Or what about all that “junk” mail in your mailbox for low interest loans and credit cards or purchase plans for some expensive product? My trick was to lower my credit card limit and add an “emergency line of credit” that required a phone call from me to instigate and then put my credit card in a safe deposit box at the bank where I only pulled it out when I had to travel for work or pleasure. Since most of the major general credit cards are accepted at almost all types of establishments, I also got rid of all my gas and department store credit cards.

Another thing that threw me for a financial loop was that the **Information Technology Revolution** hit me from businesses to my wallet like a runaway freight train. IE: I had direct deposit and ATM cards; I lost control as I could not actually see the cash going out the door. I did not have to plan for when the bank was open for business to cash or deposit the pay check. I could do that online or from an ATM, 24/7, 365 days a year. This was very bad for me. What I did to counter this was to give myself a “weekly cash allowance” and I left my ATM card at home instead of in my purse. This way I was more or less made to use only cash for an entire 7 days at a time and not the plastic. Plus it was easier to set and keep to a specified targeted amount for each week of “miscellaneous” spur of the moment expenses.



**Temptation** was also a hurdle, especially when I was younger because I always had some friend come along at the last minute and suggest a spontaneous fun trip to here or there, from a backpack trek through Canada to the grand opening of some play or restaurant, to a new ski resort for a weekend

getaway. So keeping my credit card at the bank and my ATM card at home helped me to reduce these impromptu spending sprees. Lucky for me I was never tempted by the latest fashion or fad and didn't have that problem to deal with. Believe me the temptations I had were bad enough!

One friend kept a separate little Passport type mini wallet in her purse that held her credit card and an index card. The index card had the uppermost figure she could pay off when the bill arrived and every time she used the credit card she wrote the date, item and amount on the index card. This "chore" became a habit and gave her an immediate visual of what she was spending her financial future on. She quickly realized that that pair of shoes or dinner out with friends was something she was going to be paying for, for a very long time, if she couldn't pay the entire credit card bill at the end of the month. She also found she started to have spare cash which allowed her to achieve her big goal of going to the Louvre in France one summer.



Another temptation of mine was **spending to feel good**. When I first became a single parent I was not in a very good state of mind and comfort became my motto, for me and my children. Buying myself or the kids what we wanted made me feel good - until the bills came in. So I started to take a few dollars out of each paycheck and set it aside. Then I used that money for fun stuff for me and my children. Bottom line is to recognize when you do this and find some little trick that will assist you to not stumble and fall to this temptation, otherwise you may spend the next two years trying to pay it off with 20% interest.



**Psychological Button Pushing** is another hole I fell into on more than one occasion. This is where advertising and marketing pushes some subconscious emotion that has us feeling we NEED that shirt, house, car, vacation, kitchen gadget or whatever in order to be happy or survive. So we buy it. Then we not only pay and pay on the thing but we eventually find out that we have only worn it once or used it once or half the rooms in the house are utilized only a few times every year or so, or only two or three

of those options on the vehicle are ever used or (ugh) we gain too much weight. Even politicians are very fond of this “tool” to get you to vote for them or their cause. Unfortunately there is no easy cure-all for this problem, except becoming aware it is there and in use in almost all aspects of our lives and to keep a proactive “eye” out for its use so you can walk away from it.



No matter how you look at it, a good budget that you can stick to is a NEED for survival in today's day and age. Dreams stay dreams and never become reality or we always fall short of goals or expectations.

*“Simplicity is the ultimate sophistication.”  
Leonardo da Vinci*

We cannot begin to be emotionally or physically healthy and happy if we do not utilize a good budget successfully.

*“The world has to learn that the actual pleasure derived from material things is of rather low quality on the whole and less even in quantity than it looks to those who have not tried it.”  
Oliver Wendell Holmes*

Now is the time to take the tips here and get going on your own budget so you too can lead a happy, healthy and fun life for you and yours.

*Remember:*

*A dream is just a dream unless you commit to making it reality.*

*From TNT, a 50 Something Prepper*