

How to Create a Budget in 7 Steps

Was one of your New Year's resolutions to start saving money, or to start spending it a little more wisely? The best way to save money for you and your family's future is to create a budget.

Most people cringe at the thought of sitting down and going over their finances, but budgeting doesn't have to be scary. Even if you think you are in good financial standing, you may be shocked when you go through the numbers. A budget will help you monitor your flow of money and get rid of unnecessary spending, saving you money each month—so what's there to lose?

Here are 7 easy steps to begin setting up your budget:

Step 1. Budget Together

Set aside a specific time with your significant other to calculate the total amount of money you have coming in each month and to examine your essential and non-essential spending.

Step 2. Review Your Essential Spending

When you begin to work on your family's budget, it's important to start by capturing all of your monthly expenses, including payments for your mortgage or rent, recurring bills, insurance, auto loans, student loans, college costs, daycare, food, prescriptions, and essentials like gas and groceries.

Step 3. Identify Your Non-Essential Spending

Next, document expenses for things that may not be essential. Non-essential monthly spending could include streaming services like Netflix, Hulu, Spotify, Disney +, etc., subscription services like Amazon Prime, Adobe Creative Suite, Dollar Shave Club, Stitch Fix, etc. It could also include magazines, newspapers, and club or gym memberships. Also, look at how much you eat out or order takeout—huge savings can be realized by shopping wisely and preparing meals at home. See where you can eliminate, or at least limit, non-essential expenditures, and apply the money saved to set up an emergency fund or trim down your debt.

Step 4. Set Up an Emergency Fund

Once you have all of your essential and non-essential spending nailed down and determine which non-essentials can be eliminated, determine how much you've saved to build an emergency fund. Assuming some of your income already goes into your state pension, a 403(b) or a 401(k) account, it's also important to set aside funds to carry you over in times of emergency (e.g., loss of income, car breakdown, roof replacement, etc.) Your goal is to have enough money in your emergency account to support your family's essential needs for at least 6 months. **Do not touch the money in this account.**

Step 5. Pay Down Debt

By paying off your debts more quickly, you can put yourself in better financial standing for the future. Start by using some of the money freed up from eliminating or reducing non-essential items and paying more than the required minimums on your credit cards. You may also do this with major loans—like car, home and student

loans—but check the loan terms for any restrictions. Caution: Don't defeat your efforts to pay down debt by continuing to pile on more—changing spending habits is a key to success!

Step 6. Save for the Future

If your budget will allow, think about saving for the future (e.g., home-ownership, getting married, home improvements, your next vehicle or a family trip). Don't squeeze yourself so tightly financially that you can't enjoy special events like holidays and birthdays or take the family out for dinner occasionally. Again, reduce your non-essential expenses so you can save long-range goals and short-term pleasures.

Step 7. Track Your Spending

Be vigilant and continue to track every dollar moving in and out of your accounts. There are many [budgeting apps](#) that can help you, or you could just make it a point to look at your accounts online at the end of each day. Tracking your cash flow in real-time will help you see where you can cut unnecessary expenses for things you may not use as often as you think you do. This will also help you monitor your account for any suspicious purchases or accidental charges.

Budgeting doesn't have to be scary; it just takes time and the willingness to do it. Be proactive and make adjustments where needed. It's your money—fine whatever works best for you and your family.

Happy budgeting!

California Casualty has been serving the needs of educators since 1951 and is the only auto and home insurance company to earn the trust and endorsement of the National Education Association (NEA). Learn how to save on your insurance by getting a quote at www.neamb.com/autohome, or by calling 1.800.800.9410.