

**P**reparing a budget for yourself is no more difficult than looking at how much money you have to spend and deciding which expenses are necessary and which expenses are unnecessary. If you are thinking about budgeting your finances, you are probably spending more money than you can, or at least should be.

The first step to creating a successful plan for managing your money is to look at how much money is coming in and how much money is going out. You need to balance your expenses with your income. An unbalanced budget is okay too, if the income side of your financial scale is heavier than the expense side.

The purpose of drawing up a budget is to find extra money in the situation you already have. For you to find this extra money, one of two things needs to happen: your expenses must decrease or your income must increase. Unless you have recently found a large bag of money, you're probably like most everyone else, looking for ways to decrease your spending.

Some of your spending, maybe most of it depending on your situation, can be considered essential spending. This includes expenses that you cannot afford to cut out of your budget, like utility bills, rent or mortgage payments.

The most logical place to start planning your budget is figuring out exactly how much money you bring into the household each month. When calculating your monthly income, be sure to include all types of income. Figure in any overtime, tips or other sources of income you may have. Don't forget to subtract any taxes or other deductions.

The most important thing to remember about budgeting is to include as much information as you can. This will make it easier to prepare your spending budget. Don't leave anything out, no matter how small it may seem. The point of creating a budget is to determine exactly where every last bit of your money is going each month, so every piece of information about your finances is essential.

Once you have the numbers for your income in front of you, it's time to see where all of that money is going. Make a list of your expenses: all of your expenses. Once again, include all details about your spending. If you buy a coffee everyday before work, make sure that gets marked down. If you smoke, include the money that you spend on cigarettes every month.

Be sure to include anything that you purchase on credit regularly, such as gas or anything in department stores. Regulating and reducing your credit card use is important to stick to your budget.

Unless you keep receipts from all of your purchases, determining precisely how much you spend on entertainment, such as books, movies and music may be more difficult than

other categories. Spend a few moments reminiscing about last month and what you did on the weekends. Try to think how much, approximately, you spent on having fun. Don't just take a wild guess, however, and don't be too generous with your estimate. For example, if you estimate that you spent \$150 on entertainment last month when the actual figure is somewhere closer to \$75, your revised budget will probably not work out. When you attempt to cut your entertainment expenses in half, you'll be cutting \$75 out of your monthly budget that was never there in the first place!

Here is a list of common expenses to give you an idea of what your expense list should look like.

- **Housing**
  - rent or mortgage payments
  - maintenance and repairs
  - property taxes and insurance
- **Utilities**
  - cable TV bill
  - electric, gas, water and trash bills
  - telephone bill, cell phone bill
- **Food**
  - groceries & extra snacks
  - eating out
- **Personal Care**
  - clothes, toiletries, hair care
  - laundry, dry cleaning
- **Transportation**
  - car payment
  - repairs and maintenance
  - gas, parking and commuting costs
  - insurance, licensing, taxes
- **Health**
  - medical insurance and doctor visits
  - prescriptions, dentist and eye care
- **Credit**
  - bank and credit cards
  - department store and gas credit cards
  - any other credit cards
- **Entertainment**
  - hobbies, sports
  - newspapers, books, movies, magazines, videos, CD's
  - vacations
- **Miscellaneous**
  - charity
  - education (books, tuition, etc.)
  - gifts (birthdays or holidays)
  - pets (food, veterinary care)

Once you have added all of your expenses together, compare that total with your total income.

**Are your expenses and income equal?** Don't pat yourself on the back just yet. A balanced budget isn't necessarily the best way to spend your money. Your budget should be slightly uneven, with the income side being a little bit heavier. If everything that goes into your pocket at the beginning of the month ends up going right back out by the end of the month, you need to adjust your spending.

**What about saving for retirement?** What if an unexpected expense surprises you? Try to find some part of your budget that you can reduce or live without completely and allocate the money you have saved to a savings account.

**Are your expenses less than your income?** Nothing could be better. You are apparently careful with your spending habits and are already on your way to securing a nest egg for retirement. But since you already have an itemized budget sitting in front of you, you might as well use it to see if there is any extra money leaking out of your budget that could be better used as investment capital. Any additional amount of cash you can put away now is worth more than it would appear. Because the interest on investments compounds over the years, the money in your hands today is worth more than it ever will be again.

**Are your expenses equal to your income, but only because you use credit for some of your expenses?** You need to try your hardest to cut the credit card use from your budget. It is understandable to use credit for absolute necessities and emergencies, but not too many things are less healthy for your finances than frequent credit card use, or for that matter, any credit card use at all.

Ironically, the reason that credit is so bad for your budget is the same reason why investing early in life is good for your money: compounding interest. If you are only making the minimum payments each month on your credit card, you are paying a huge premium to do so. The credit card companies are investing in you, and they are getting great returns on their investment. If you are living paycheck-to-paycheck, you can't afford to use credit, let alone making only the minimum payments each month. The only financially sound thing to do is to do your best to find extra money in your budget to bring your credit card balances down.

**Are your expenses more than your income?** Nobody needs to tell you that this isn't going to work out. You are going to have to cut your expenses, obviously. Chances are you're in debt as well. You may need to talk to a professional debt consultant to discuss your options.

There are ways to turn your situation around, though. Let's take a look at some ways you can cut your expenses and restructure your budget, no matter what your income-to-expense ratio is.

Before looking at ideas for cutting your expenses, ask yourself a few questions to see if any new expenses may arise in the coming months.

- Do you have enough money to pay your expenses?
- How do you use credit? Can you break the habit of using credit?

- Would more income help? Can you find a way to generate additional income, even if only for a few months to a year?
- Would you like to save for a vacation next year?
- Will you need a new car in a few years? Will you have to forego your vacation to pay for that car?

In order to determine what you can cut back on in your budget, divide your expenses into two categories: Essential Items and Non-essential Items. Some examples of essential items are rent payments, mortgage payments, car payments, utilities, food and – credit card payments? Yes, you should consider credit card payments and other types of debt payments accruing interest as must-pay items.

Nobody is asking you to starve yourself because you have a huge balance on your Visa or MasterCard. But these debts are impossible, and stupid, to ignore. Not making payments on credit cards means late fees and marks on your credit report. Make sure you pay your credit card bills and remember that the minimum payment is never enough if you ever want to clear your balance.

Examples of non-essential items are eating out, new clothes, extra telephone services, some types of groceries and (gasp!) cable television. That's right, think about it: do you really need cable TV? In many communities, it's possible to receive regular network transmissions with a regular set-top antenna. Even if you needed to purchase a rooftop antenna to get network broadcasts, it would be cheaper in the long run. No, you wouldn't get MTV, CNN or the Superstation, but you'd save money. Cutting out the cable may not be for everyone, but depending on how badly you need to conserve your spending and how badly you need your cable, watching TV like people did just a few years back may be the way to go. Don't assume that you need cable just because you've always had it.

Here are some other ideas for cutting your spending on non-essential items:

- **Eating out**  
Bring your lunch to work and eat dinner out less often.
- **Ride-sharing**  
Carpool with a friend or co-worker could save you money on gas and other commuting costs.
- **Telephone**  
Consider changing your phone service or long distance provider. You may want to cut out the extra features, if you have any. Call waiting, three-way calling and caller ID are all expendable; when the bill collectors start calling, they will block their caller ID anyway.

- **Clothes**  
Can you control how much you spend on clothing? If you buy clothing on impulse like most people do, you may want to stay out of the mall for a while.
- **Managing money**  
Keep track of where your money is going; only use your bank's ATMs to avoid extra fees. You can't afford to pay someone else to access your money.
- **Vacations**  
Consider taking several weekend vacations instead of one large, expensive one.

Consider your credit situation. What amount are you spending on monthly payments towards credit besides your mortgage and car payments? Credit is not entirely bad when used responsibly, but you should understand just how much a high balance with a high interest rate will cost you over a period of time. Once you have drawn up a plan for your budget, you should really take a look at how much credit you can afford. It's probably less than you think.

If you have exhausted all of your options in the non-essential categories, there may be a few things you can do with your essential expenses to create a little more room in your budget. If you're thinking about purchasing a new car, are you considering buying a new one or a used one? Have you thought about leasing a car?

If you do plan to buy a new car, make sure you explore all options open to you. Think about ways to reduce your monthly payments. Look at different insurance options that might save you money.

If you rent your home or apartment, would it be possible to move into a less expensive place? Look at what you are actually paying for in your rent. Could you sacrifice convenience of location for an apartment further out of the way? If you own your home, you might want to consider re-financing. Depending on the interest rates and the economy at the time, you may be able to reduce your monthly mortgage payments.

Remember that it is usually easier to reduce your spending than it is to increase income. But if there is a huge difference between your income and your expenses, simply cutting down on eating out and spending less on entertainment might not do the trick. You may need to ask your boss for more overtime, or perhaps start looking for a second job.

Once you have made a plan for yourself and your budget, go back through all of your expenses and readjust any numbers that have changed since you examined your budget. Here is where you can see if you reduced your expenses or even added to your net income. Don't get frustrated if you don't see an opportunity to reduce your expenses right



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away. You may need to keep careful track of your spending for a month or so before you see where your money really goes.

The second half of this booklet may be helpful to you if you can't seem to find any extra money in your budget. Keep reading to see how you can choose just the right time of the year to find the best savings on everything from hand tools to homes.

## Best Time to Buy

Most items we buy are subject to seasonal price fluctuations. There are certain times of the year when the prices are lower than normal and there are other times when the prices are higher than normal. For example, air conditioner prices are lowest in January and highest in July.

Why are prices higher at some times and lower at others? Prices fluctuate and change because product demand and product supply change. The Law of Supply and Demand explains changing prices.

Economics tells us that supply and demand determine price. When more people want something, the demand increases and prices go up. When less people want something, the demand decreases and prices go down. When there is a product shortage, supplies of a product are low and prices rise. When there is a product surplus, supplies of a product are high and prices go down.

Here's a summary of supply and demand that doesn't require a degree in economics to understand:

		DEMAND DECREASE	PRICES DOWN	DEMAND INCREASE	PRICES UP
SUPPLY DECREASE	PRICES UP	<b>NO CHANGE</b>		<b>PRICE INCREASE</b>	
SUPPLY INCREASE	PRICES DOWN	<b>PRICE DECREASE</b>		<b>NO CHANGE</b>	

If Supply and Demand change in the same direction, then they have an opposite effect on price – they cancel each other out. When Supply and Demand change in the opposite directions, they have the same effect on price and increase the effect.

Let's put this into plain English. The best time to buy a product is when other people aren't very interested in it (demand is low) but the stores have an overstock (supply is high). The worst time to buy a product is when everyone wants one (demand is high) and most stores are sold out (supply is low).

Every year some toy becomes the "hot" Christmas toy of the year. In 1998, the hot product was the Furby. You could tell demand was high because people would line up for hours waiting for stores with Furbies to open. Supply was low because most stores were sold out. With the high Demand and low Supply, Furby prices were sky high.

Every spring, most ski equipment stores have huge sales. Since the skiing season is almost over, most people aren't thinking about buying equipment, and demand is low. The stores want to sell all of the old equipment so they will have room in the fall for the

new equipment. The supply of old equipment is high. With low demand and high supply, prices are decreased in order to increase demand and get rid of the supply.

When more people want something, the demand increases and prices go up. When less people want something, the demand decreases and prices go down. When there is a shortage of a product, if the supply goes down, prices go up. When the supply of a product is low, when a product is hard to find, prices go up. This is the Law of Supply and Demand.

What does this mean to you? Every year, manufacturers come out with new or improved products. When manufacturers have a new product, they first try to sell their entire supply of the old product, because many people will see the old product as obsolete once the new one becomes available.

So typically, the best time to buy many products is right before the new or improved products come out. When the demand is low for the old product and the supply is much more than a store wants, they will keep lowering prices until all of the old product is sold. For example – summer products are at their lowest price at the end of the summer; winter products are at their lowest price at the end of the winter.

The following list shows the best months to get the lowest prices on different products:

<b>JANUARY</b>	Air Conditioners, Appliances, Baby Carriages, Bicycles, Books, Briefcases, Carpets & Rugs, China & Glassware, Christmas Items (Wrap, ornaments, etc.), Clothing - Athletic wear, Clothing - Children Winter Coats Clothing - Men's Overcoats, Clothing - Men's Shirts, Furniture, Hand Tools, Meats (Turkey/Ham), Pocketbooks, Shoes – Athletic, Toys, White Goods (Sheets, Towels, etc.)
<b>FEBRUARY</b>	China & Glassware, Clothing – Men's, Furniture, Lawn and Garden Supplies, Radios, Shoes – Women's, Sportswear & Equipment, Stereos, Storm Windows, Toys, TVs
<b>MARCH</b>	Clothing – Infant, Frozen Foods, Garden Supplies, Home health-care equipment, Ice Skates, Luggage, Shoes – Kids, Ski Equipment, TVs, Washing Machines
<b>APRIL</b>	Flooring, Hosiery, Linens, Paint, Tools
<b>MAY</b>	Auto Accessories, Jewelry, Ketchup, Mustard, Outdoor Furniture, Power Tools, Tires, TVs
<b>JUNE</b>	Beer, Clothing - Men's, Floor Coverings, Juice, Ketchup, Mustard, Shoes – Men's, Shoes - Women's
<b>JULY</b>	Bathing Suits, Beer, Briefcases, Clothing – Children, Clothing - Men's Shirts, Clothing – Summer, Furniture, Juice, Shoes - Men's, Shoes – Women's



**AUGUST** Air Conditioners, Bathing Suits, Beer, Carpeting, Cosmetics, Furniture, Grills, Juice, Soda, Tires, White Goods (Sheets, Towels, etc.)

**SEPTEMBER** Bicycles, Car Batteries, Car Mufflers, Garden Equipment, Hardware, Paint

**OCTOBER** Appliances, Bicycles, Ceiling Fans, Clothing - Fall/Winter, Clothing – Jeans, Fishing Equipment, Golf Equipment, Home Health-Care Equipment, Linens, Shoes - Men's

**NOVEMBER** Appliances, Blankets & Quilts, Clothing – Jeans, Clothing - Men's Suits & Coats, Clothing – Winter, Home Improvement Supplies, Real Estate – Homes, Water Heaters

**DECEMBER** Baby Furniture, Blankets & Quilts, Clothing – Children, Coats & Hats, Power tools

Here is the same information in: Alphabetical Order by Product (Page 1):

ITEM	MONTH
Air Conditioners	August
Air Conditioners	January
Appliances	January
Appliances	November
Appliances	October
Baby Carriages	January
Baby Furniture	December
Bathing Suits	August
Bathing Suits	July
Bicycles	January
Bicycles	October
Bicycles	September
Blankets & Quilts	December
Blankets & Quilts	November
Books	January
Briefcases	January

ITEM	MONTH
Clothing - Athletic wear	January
Clothing - Children	December
Clothing - Children	July
Clothing - Children Winter Coats	January
Clothing - Fall/Winter	October
Clothing - Infant	March
Clothing - Jeans	November
Clothing - Jeans	October
Clothing - Men's	June
Clothing - Men's Overcoats	January
Clothing - Men's Shirts	January
Clothing - Men's Shirts	July
Clothing - Men's Suits & Coats	November
Clothing - Summer	July
Clothing - Winter	November
Coats & Hats	December

Briefcases	July
Car Batteries	September
Car Mufflers	September
Carpeting	August
Carpets & Rugs	January
Ceiling Fans	October
China & Glassware	February
China & Glassware	January
Christmas Items (Wrap, ornaments, etc.)	January
Garden Equipment	September
Garden Supplies	March
Golf Equipment	October
Grills	August
Hand Tools	January
Hardware	September
Home health-care equipment	March
Home health-care equipment	October
Home Improvement Supplies	November
Hosiery	April
Houses	November
Ice Skates	March
Jewelry	May
Ketchup, Mustard	June
Ketchup, Mustard	May
Lawn and garden	February
Linens	April
Linens	October
Luggage	March
Meats (Turkey/Ham)	January
Men's Apparel	February
Outdoor Furniture	May
Paint	April
Paint	September
Pocketbooks	January

Cosmetics	August
Fishing Equipment	October
Floor Coverings	June
Flooring	April
Frozen Foods	March
Furniture	February
Furniture	January
Furniture	July
Furniture	August
Radios, Stereos, TVs	February
Shoes – Athletic	January
Shoes – Kids	March
Shoes - Men's	July
Shoes - Men's	June
Shoes - Men's	October
Shoes - Women's	February
Shoes - Women's	July
Shoes - Women's	June
Ski Equipment	March
Soda, Beer, Juice	August
Soda, Beer, Juice	July
Soda, Beer, Juice	June
Sportswear & Equipment	February
Storm Windows	February
Tires	August
Tires and Auto Accessories	May
Tools	April
Toys	February
Toys	January
TVs	March
TVs	May
Washing Machines	March
Water Heaters	November
White Goods (Sheets,	August

Power tools	December
Power tools	May

Towels, etc.)	
White Goods (Sheets, Towels, etc.)	January

## **Major Purchases**

### **Cars**

There really isn't a best time of the year to buy a car. Actually, you can get a good deal on a car during anytime of the year. The best time of the month to buy a car is towards the end of the month because that's when salespeople are trying to meet their quotas. This translates into savings for you. Another good time to purchase a car is on the weekend, because dealerships often push their salespeople to sell as many cars as they can in a two- or three-day period.

So look around, take test drives and take your time on choosing which car is right for you. But when you've decided and it's time to talk price, visit the car dealership on the last weekend of the month for the best chance at a good deal.

### **Homes**

Finding the right time for purchasing a home is a little less cut-and-dry, due to changing market conditions and economic factors. In general, though, the buying market for homes is most active between Easter and Labor Day. This is because people want to move during the summer, when the kids are out of school.

Unless this is your first home purchase, you have another task to occupy yourself with when looking for a home to buy: selling the old one. Homebuyers typically begin looking for homes about three or four months before they will be ready to move in. This means that if you are selling your old home, the best time to put it on the market would be in January or February, to allow interested buyers ample time to look over the house, securing a contract and getting a mortgage before the moving season.

Putting a house on the market after Labor Day is generally a mistake, as it will be four to five months before the buying season really starts. This means there is a good chance that your house will be on the market longer than necessary. Even first-time homebuyers are leery of a home that has been on the market for too long.

The best time to go home shopping is in spring or the early summer if you want the greatest choice of properties. People looking for a bargain or maybe a good price on a fixer-upper will find that fall and winter have the best deals, because these are generally homes that didn't get sold during the height of the summer season.



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