The Malay Mail :&#65533;September 2006&#65533; Learn how to draw up a budget. If you&#65533;ve ever found your wallet depleted of cash, it&#65533;s time to track where the money went. Maybe it seems like such an overwhelming task that you don&#65533;t even want to start thinking about it. Maybe you don&#65533;t actually know where to start. Maybe you think that it will require hours and hours to do.
Maybe you&#65533;re afraid of your money; after all, it seems to pretty much rule your life-you may get up thinking about it and go to bed thinking about it. Whatever your reason, now is the time to start!

Step 1: where to start
There are only two things to know about a budget: what&#65533;s in and what&#65533;s out. I&#65533;m oversimplifying, but what matters are two columns: income and expenses.

Start by noting down what your income is, whether it&#65533;s an allowance or your monthly salary. Unless you&#65533;re one of those who boast of &#65533;multiple-stream-of-income&#65533; from your multi-level marketing exploits (emphasis on exploits, here), you probably only have one steady income a month. Then, note down your expenses. Look over the past two or three months to figure out what they were. These include the usual suspects, like rent, telephone bill, petrol and insurance. Figure out how much you spend on food and clothes, too.

Next assemble two to three months worth of expenses. Get all of your bills together, your chequebook register, receipts, etc.

Step 2: determine the time frame
Decide if you want to budget weekly, by the paycheque, monthly, quarterly, etc. How often you get paid may heavily influence this decision. Most people just budget by the month. Remember that you may have some expenses that happen quarterly, semi-annually, or even annually &#65533; things like insurance or car registration. You&#65533;ll need to plan accordingly (see step 5).

Step 3: choose a tracking method
Choose a method for tracking expenses (and income, if desired). Quicken and Microsoft Money are good tools if you are pretty computer literate. You can also set up a spreadsheet programme, if that&#65533;s something you enjoy doing. You can even use good old pencil and paper. Do whatever will be easiest for you to maintain.

Step 4: establish categories
Select categories that fit your needs. Some people like just a few categories; some use a multitude of categories, whilst others use subcategories. It really depends on how detail-oriented you want to be. General categories might include: auto, house, food, medical, insurance, utilities, etc. Specific categories (usually best as subcategories) could include: auto-insurance, fuel, maintenance; food-groceries, takeout, dining out; etc. You can always add or remove categories or subcategories later.

Step 5: establish spending amounts
Review the income and expenses that you gathered. Put the expenses into the categories you have established so you can see where you&#65533;ve been spending. Total them and compare them to your income. How have you been doing? If you&#65533;re overspending, determine where you can cut.

Establish new budget amounts for the time period you have chosen based on past expenses. Remember also to budget for quarterly, semi-annual, or annual expenses. (Example: you pay your car insurance every 6 months; divide that payment by 6 and budget that amount every month; put it aside where it won&#65533;t be spent!)

Try to be flexible in your budgeting. Budgeting every last penny you earn may not be the best course, because there are always unpredictable expenses that pop up. Be sure to budget some savings &#65533; even if all you can save is RM5 a month. It&#65533;s great to get into the habit of paying yourself first.

Step 6: track your income and expenses
Whether it&#65533;s daily or weekly, or just every few days, you need sit down and enter your expenses into your tracking method. If you put it off too long it will become too overwhelming and you&#65533;ll give up. Devoting just a few minutes a day is a lot better than three hours at the end of the month! Keeping close track of your expenses will also help you to stay in line with your budget.

You&#65533;ll be more

aware of your money and more careful not to spend what you don&#65533;t have. Remember to collect receipts for everything, especially things you buy with cash. This will make tracking a lot easier. If a receipt has purchases that fall into more than one category, divide them up accordingly.

Step 7: revisit the budget often
Revisit your budget periodically. Review your expenses. See what&#65533;s working and what isn&#65533;t. Rework the numbers as necessary. If you are single, this should be pretty easy.
However, if you are married, you may have one or two incomes in your household; both people should know where the money is going, regardless of who is earning it.

Finally, remember that budgets are not set in stone. You are in control, not your money. Make it a goal to live within your budget.