



## How to Create A Household Budget

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Successful financial management all begins with the family budget -- though it doesn't hurt to have a reliable stream of side-income through your small vending business! But how do you get started with a financial map for your family?

A budget is a simple tool that allows you to see where your hard-earned money is going, where money is coming from, and establishing a spending and saving regimen. Read on for a few quick tips to get started with your household budget, as well as a sample budget in action!



#### Step One: Assess Your Household Income

Understanding what the actual monthly income is in the household is the first step to creating a budget. All sources of income from both spouses should be accounted for.

Once you estimate your hourly wages, subtract recurring expenses such as insurance, 401(k) contributions, and taxes to determine a rough net income.

**Meet John and Alice! John makes \$20 an hour and Alice makes \$14 an hour. Combined, they make \$34 an hour. Since John and Alice both work full time, we can multiply the \$34 times 40 hours a week to get their total monthly income of \$5,440.**

**After examining their combined pay stubs for the last three pay periods, they determine that after insurance, contributions, and taxes, they are bringing home only about 75% of that, or \$4,080 per month.**



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### Step Two: Create a List of Expenses

Creating a list of your monthly expenses can be very intimidating, but it's time to start! Be sure to include all bills -- large and small -- so you can have a good sense of your obligations.

Here's a list of bills you may have:

- House payment
- Car payment
- Phone bill
- Utilities
- Groceries
- Gas and vehicle maintenance
- Entertainment such as dining out
- Debts
- Student loans

**After John and Alice determine their monthly income of \$4,080, they then deduct their monthly recurring expenses. Here's a look at their expenses:**

- **House payment \$650**
- **Car payment \$150**
- **Phone bill \$120**
- **Utilities \$50**
- **Groceries \$350**
- **Gas and vehicle maintenance \$150**
- **Entertainment such as dining out \$50**
- **Debts \$300**
- **Student loan payment of \$250**

**This gives John and Alice a monthly recurring expense of \$2,070.**



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### Step Three: Don't Forget the "What Ifs"

Another important part of a budget are the unexpected things. The answer is to expect the unexpected! Consider what would happen if you or your spouse were to suddenly lose a job. The monthly bills would still need to be paid!

When you have calculated your monthly expenses, multiply that number by three. That is your savings goal so that you could take care of your family in case of an emergency.

**Because John and Alice have children, they want to have as much money in savings as possible. Looking at the difference between their income and their expense, they can choose to save a percentage of the difference to put away each month.**



### Step Four: Check Your Actual Versus Projected

Once you have a realistic estimated budget, create a spreadsheet document that reflects your budget and monthly spending. On this document, you can categorize your expenses and the estimated costs of monthly bills and add the names of the utility companies, the holders of the loans on the house and cards, insurance carriers, and so on.

Things come up! Having all of your information in one place allows you to make quick decisions when there is are changes to your calculations.

**Alice looks at the actual bills for the month. She finds that their grocery bill is actually \$250 for a month, \$100 less than projected. However, the electric bill is \$50 higher than projected. This results in a net gain of \$50, which can be put into savings.**



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### Step Five: Stick to It!

The turning point in creating a successful family budget is to stick to it. You may slip up a few times or feel a desire not to use the budget, but if you can make it through those first few months you will start to see a dramatic difference in your spending and saving skills!

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