

6 Steps to Financial Freedom

A Guide to Budgeting



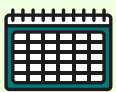
One of the first building blocks of a successful personal finance plan is the ability to budget. Although budgeting is easy to understand, it's also difficult to do because it requires that you analyze and, likely, change your spending habits.

Instead of your money controlling you, you control your money. Develop habits to save, avoid financial crises and maintain peace of mind.



What Does a Successful Budget Look Like?

A successful budget plan clearly defines:



How to follow a monthly spending plan



Ways to lower your monthly bills



How to handle accrued debt



Debt pay-off options like the snowball and avalanche methods



How to distinguish between short-term, medium and long-term goals



A breakdown of family needs

What Are the Steps to Creating a Budget?

1 Start tracking your monthly expenses

In a notebook or a mobile app, write in every time you spend money. Be diligent about this, because it's easy to forget. This is the foundation for your budget.



2 Identify fixed and variable expenses

Fixed expenses are ones that you have every month: rent, mortgage, car payment, electric bill, water bill and student loan payment. Variable expenses are costs that go up and down each month and ones that come and go – like groceries, pet supplies, haircuts and concert tickets.



3 Add up the totals

After three months, calculate how much you are spending, on average, per month. And look at the categories.





4 **Study your variable expenses**

This is where most people tend to overspend. Decide what gives you the most pleasure from these monthly expenses that you feel these costs are worthwhile. And which ones can you really do without? Be honest, and start cutting. This is the beginning of the hard decisions.

5 **Factor in savings**

A key part of budgeting is that you should always pay yourself first. That is, you should take a portion of every paycheck and put it into savings. This one practice, if you can make it a habit, will pay dividends (literally in many cases) throughout your life.



6 **Set your budget**

Start making the necessary cuts in your fixed and variable expenses. Decide what you want to save every week or every two weeks. The leftover money is how much you have to live on.