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# Budget to get a handle on finances

Planning is the key to successful household financial management

By JO-ANN JOHNSTON

**O**ne of your most powerful economic tools is your own household budget.

It's true that many people dread the task of doing a budget, either because they find the record keeping time consuming, or the comparison of household bills to household income frustrating.

But today the consumer has more tools than ever before to simplify the tasks of budgeting and its fiscal sibling, checkbook management. And it's only with the insight and planning which budgeting provides that can you really gain more guidance over your financial profile, advisers say.

"The problem I run into is people's lack of awareness of their total picture," says veteran budget counselor Judy Lawrence, author of "The Money Tracker" (\$14.95) and "The Budget Kit" (\$15.95), both published by Dearborn Financial Publishing and available in bookstores, or from Lawrence at 1-800-283-4380.

"I find most people only have a rough idea" of their household fiscal profile, agrees Nancy Socol, director of education for Consumer Credit Counseling of Massachusetts.

And why isn't a "rough idea" good enough? Because when intermittent expenses clash with your rough idea of the situation, it's your savings goals checking accounts and credit-card balances that take the hit, says Lawrence. Either you have to shell out unexpected cash, or employ more credit, which could potentially put you in the position of getting hit with penalties for exceeding established credit limits, or for paying late.

"Mostly we're just finding them less willing to work with people in trouble who need more time to pay," says Robin Leonard, an attorney specializing in consumer affairs for Nolo Press, where she is author of such titles as "Money Troubles: Legal Strategies to Cope With Your Debts" (\$19.95).

So Lawrence says consumers need to take a preventative approach to financial problems. Just as you would try to avoid major car problems through careful attention to operating conditions and regular maintenance, you can avoid some financial problems like bounced checks, inadequate savings and late fees through careful monitoring, Lawrence says.

Lawrence asks readers and clients to record all their purchases.

Many fixed expenses, such as shelter and utilities come quickly to mind.

But 20 to 30 percent of a typical annual household budget can be eaten up by things like oil changes, car insurance, vehicle registrations, and licenses, credit-card fees and dues, and hobbies, she has found.

Because these aren't fixed sums due every month, people tend not to allow room for them in their rough mental spending plans, she says.

"That's when it starts spilling onto the credit cards and then it starts spilling onto consolidation loans."

If people record their expenses for several months or a year, then they can make the adjustment in their monthly budgets to ensure they have cash for these events, Lawrence says. Of course, this demands several steps:

- First, notice and record the spending events without judging them.

This may be particularly important for married people or other couples. Don't jump all over your partner one day if you see in the record that that person has spent money on a hobby, Lawrence advises. That just makes the person not want to record expenses truthfully, and defeats the whole purpose of the exercise.

Often, partners find the other person isn't overspending on frivolous items, she says, but has simply been the party who shells out money for legitimate purchases like oil changes for the car or money for children's chores.

If there is a glaring problem, on the other hand, "Usually, no one has to point the finger," Lawrence says. The numbers tell the story, and that sets the stage for family decisions that will follow later.

- Practice good checkbook management. During this process and after, you'll need to make sure you're keeping as careful track of your checkbook as is needed. Record any automated teller machine withdrawals. Make sure you record all checks in your register.