



21 Ways To Budget Better

Personal Allowances

Do you and your spouse fight about money? Does he/she want to spend money on items that you don't agree with? Maybe it's new items for their hobby, a latte at Starbucks, or other items that really seem to get under your skin. If you answered yes, you might want to consider adding in a Personal Allowances section to your budget.

A personal allowance is a small sum of money that each spouse receives weekly/bi-weekly/monthly that they can spend however they want without having to answer for what they chose to spend their money on. They can save or spend this money, but the personal allowance is not meant to be returned to the budget or put into The Fund.

If your budget has wiggle room and you feel like you need this allowance, you might want to add it. Here's what one reader had to say after she emailed me:

My husband I were constantly fighting about money. I couldn't even get him to agree to go on a budget because he didn't like the idea of being told how to spend his money. But then Kristin suggested that we each have a personal allowance. Each week, we each get \$25. He spends his money on whatever he wants and I spend my money on what I want and we don't fight anymore! Seriously! I have never been this happy before. The budget binder has changed our marriage!

Keep in mind that a personal allowance area of the budget is not for everyone. If you don't feel like you need or can justify this, don't feel obligated to add it.

Bonuses

If you are using The Budget Binder, you should have your budget established for at least the next 3 months (I do every 6 months myself). But what should you do when you get a bonus at work? Here are some ideas/recommendations.

The Expected Bonus

Never, ever, ever, ever, ever (can I stress that enough?) count on a bonus to cover necessary expenses or bills. A bonus is just that, a bonus. There is no guarantee that you will receive one and if you include it in your family's monthly budget and you either don't receive it, or it is less than you expected, you will find yourself in financial trouble.

However, if you are expecting a bonus, sit down with your spouse and map out where you want this money to go before it even hits your bank account. You need to always have a plan for your money, even if it is a bonus.



The Unexpected Bonus

Just because this money was unexpected does not give you the excuse to blow it on frivolous things. Before you spend a dime out of the bonus, sit down with your spouse and map out exactly where you want this money to go.

What To Do With The Money

Here are a few suggestions on what you could put this money towards:

1. If you have not established a \$1,000 emergency fund, put it towards that. You must have an emergency fund before you do anything else.
2. If you do not feel like you are doing well with your budget and you feel like you just can't get ahead, take the entire amount of the bonus and put it in your checking account. Then print out at least 6 copies of the Bi-Weekly Budget Worksheet. Record your bank account balance as income in the first section as well as your paychecks for this time period and redo your budget. This lump sum will help you get your bills on track where you are paying all of them before the due date, instead of during the grace period.
3. If you are in credit card debt, put it towards your debt. Don't forget to record it on the Debt Tracker worksheet.
4. If you are saving towards a large expense (such as a new house or a 3-6 month emergency fund), put it towards that.
5. If you need to purchase new items (such as a new fridge, a new wardrobe, etc) that you do not normally have the room in your budget for, put it towards that. However, make sure you list exactly what items you want to purchase before you go to the store and stick with your list! Also shop around and make sure you are getting the best deal. Just because this is bonus money doesn't give you the excuse not to be a smart shopper.

Saving A 3-6 Month Emergency Fund

In the Budget Binder, I teach you to set a \$1,000 emergency fund. Once you have this established and you have paid down/off your debt, the next financial goal to save for is a 3-6 month emergency fund.

I have gotten a few comments asking me why I don't teach people to save a 3-6 month emergency fund immediately. Before publishing the Budget Binder, I had real life people use it. Real life people who make a middle class wage, live a middle class lifestyle and have debt to pay off. If I had asked them starting out to save 3-6 months worth of income before paying off their debt, they never would have stuck with the budget. They would have found the entire process too overwhelming, thrown up their hands and gone back to living without a plan.



I've also had people ask why I advise people who are in debt to have a fund and save for their goals. I developed the system of Couponing to Disney because it can be attainable for everyone, no matter their income or their debt. I teach people how to save money on everyday expenses and put the money they save towards their fund. I don't teach people to prioritize saving for their fund over paying their debt or growing their savings account. Having something to save towards, like a trip to Disney World, will keep people motivated to stick with all areas of their budget including paying off debt and growing their emergency funds.

Remember this one post is just building on things that I have already taught in the Budget Binder. Be sure to read it if you haven't already.

The 3-6 Month Emergency Fund

This 3-6 month emergency fund is meant to pay your family's bills and living expenses in the event that one or both income earners are out of work. But how much should you save?

Some financial experts advise that you should save 3-6 months worth of income. So if your family makes \$3,000 a month, you would save \$9,000 for a 3 month emergency fund or \$18,000 for a 6 month emergency fund.

However, saving that much can be very daunting and feel completely unattainable. So here is another option:

- Sit down and make a list of all the bills you absolutely have to keep in the event that you are out of work. Cable, Netflix, Gym Memberships, After School Activities, etc. are a few of the bills you could eliminate during this time frame. Add all of your bills together that will be due each month during the 3-6 month time frame.
- Next make a list of how much your living expenses would be. Do you really need a dining out and entertainment allowance if you are out of work? Add all of your weekly living expenses together that you will need each month during the 3-6 month time frame.
- Next add the monthly bill amount to the monthly living expenses about and then add an additional \$200 to this amount to give you some wiggle room. Multiply that amount by 3 and you get the goal you need to set for your 3 month emergency fund (just double that amount if you are going to save for a 6 month emergency fund).

Having at least a 3 month emergency fund in savings will be a huge weight off your shoulders. Don't forget that you can track this goal on the Savings Account Worksheet in the Budget Binder. And remember that you should always do what is best for your family when it comes to your budget.



Paychecks More Than Budgeted

So you have used the Budget Binder to make your family's budget for the next 3 months. You've written down the expected amounts of your paychecks and your budget is set. But what do you do when your paycheck is more than what you budgeted?

First, I absolutely do not want you to blow it. It is great that you now have more money than you planned, but it doesn't mean that you don't need to tell this money where to go. Also it really isn't worth the energy to redo your Budget Worksheets unless you didn't have enough to pay all your bills for this period.

If you have not yet established your \$1,000 emergency fund, put the extra money towards that. Even if it just a few dollars. Remember to track your Emergency Fund balance on the Savings Account Breakout sheet.

If you are working to pay off your debt, put it towards that. A few dollars can really add up!

If you are out of debt, put it towards the 3-6 month emergency fund we talked about yesterday.

Or if you are saving for something your family needs, put it towards that. If you need a new fridge, sports equipment for your child, etc, it is ok to save this money towards that. You are going to have to purchase those items, so you need to make sure you are earmarking money for that.

Just don't blow it going out to eat. ;)

Your Bank Account

Earlier this month, I was charged a \$10 fee on my bank account for not having the required number of debits for the month. I was able to get them to waive the fee, but should I not have enough debits this month, it'll be \$10 again.

Take a moment to look into your bank account and see if you have the best account for your needs. Go over your statements and make sure you don't have hidden fees each month. Does your bank offer any perks for using your debit card as a credit card? Does your bank offer FREE ATMs or do they charge you too if you get your money out of another banks ATM? Are there branches convenient to your house?

Does your bank offer online banking? Does it offer a savings account with a good interest rate? Are you able to easily transfer money into your savings account?



Also be sure to look at banks in your area and see if they offer better incentives with their bank accounts. When we switched banks, my current bank was offering a \$50 gift card for switching plus it was closer to my house than my old bank.

Lower Your Existing Bills

If you are using the Budget Binder, you should already have a list of all your bills and have a budget that will last you for the next 3 months. Now I want you to take a moment to look over all of your bills and call each of them and ask if there are any deals available for you. Sometimes I have the best luck if I call and immediately choose to be connected to the cancellation department.

Call each utility about your bill and see if you can reduce the amount you are paying. When you call the cable company, I've found I have better luck at reducing the bill if I talk with the cancellation department instead. Be sure to eliminate any channels you don't need! Call the cell company and see if you are eligible for any additional discounts. We get 5% off our bill because our cell company (AT&T) has an agreement with his employer.

Make sure you call every single one and ask if they can reduce your bill. You might be surprised. Also if you haven't gotten an insurance quote lately, I suggest that you call 3 different agencies and get a quote and then let your current agent know. Also go over your coverage with your agent. My Mother In Law was paying \$110 a month for insurance on her truck. We took over the policy and reduced the coverage. She had the lowest deductible, highest possible coverage plus she also had additional coverage she didn't need! The new bill was \$45 a month! Raising the deductible up the next level can really make a huge difference. We have a \$500 deductible on the vehicles and \$1000 deductible on the house. If you have an emergency fund, you can raise the deductibles because you have that amount in savings.

Now if you were able to reduce or eliminate any of the bills, I want you to earmark the money you saved for your fund. Yes this is kind of coming out of your monthly income, however you wouldn't have taken this initiative and would be paying the higher prices if it wasn't for the fund. So I call this **found money!** Make sure you make a point to put this money in the fund every month (for the duration of your current budget). Don't forget or it will just be absorbed into oblivion!

Once you get through the current duration of your budget, I want you to rewrite your bills list with the new lower amount. But in the meantime, you can put that money into your fund!



Eliminating Cable

Why do you have cable? Is it so your children can watch their favorite shows? Is it so you can watch your favorite Prime Time programs? Take a moment to read this article and seriously consider eliminating cable from your budget if it is something that you can live without.

This is a guest post from my friend Tabitha who blogs at Saving Towards a Better Life. She eliminated cable and was very surprised to find that she doesn't mind living without it. If you think you can live without cable, it would be a great way to add to your fund!

After my husband went through his second job change in a year for an even lower salary, we had to take a hard look at our budget. The only thing we had not cut back on was cable/satellite TV. We had the bare bones package, with DVR and an additional receiver – this was costing us \$80/month. We had DirecTV and they have a great offer for those not sure if they're ready to take the full plunge into no TV. You can "suspend" your service for up to 6 months. This is what we did – hoping that the no TV situation would be temporary until we got back on our feet.

Now, just because we aren't paying a DirecTV bill anymore doesn't mean we don't watch TV anymore. Here's how we survive:

Before we turned off our service, I DVR'd a lot of my son's favorite cartoons. Even though we turned our service off, everything on our DVR is saved (after all, it's just a hard drive like in your computer.) We can access everything saved on it.

We turned our service off the beginning of December 2010, so when people started asking what to get my son for Christmas, I suggested several of his favorite cartoon series on DVDs. He has a sufficient library of things to watch and I don't have to worry about him being inundated with commercials for the hottest toy, junk food or another TV show I don't want him watching.

I still watch all my favorite shows on the network websites. I watch *Grey's Anatomy* on ABC.com and *House* on Fox.com. Yes, I do have wait before it's posted – some shows are posted the next day others run a week behind. Either way, it's not the end of the world to have to wait. My co-worker that watches *Grey's Anatomy* knows not to come in on Fridays talking about it – we have our recap conversation on Mondays.

One word: Netflix. For around \$8 a month we have access to hundreds (maybe even thousands) of movies and TV shows. Eight seasons of *24* for me and every Thomas the Train movie my son could ever want to watch. Plus we can have out one DVD at a time. (Some movies and seasons of TV shows are available only on DVD right when they come out.) So we can have a movie out or I can catch up on more recent episodes



of shows (right now I'm watching *NUMB3RS*.) \$8 dollars versus \$80 – much more reasonable expense!

So what about those things you *need* TV for, like news or weather reports?

News – is readily available online. I can even still watch my favorite news show, *The O'Reilly Factor* on the Fox News site. I follow Fox News on Facebook so I get news updates. Plus, I listen to a lot of talk radio.

Weather – I use the Weather Channel Desktop when I need to check the coming forecast. Plus, just about every radio station does the weather every 15 minutes in the morning so I get the day's high and chance of rain – which is all I really need so I know how to dress.

So just because we don't have cable – we haven't completely cut ourselves off from civilization. It *is* possible to live without TV. And even with all the other ways to watch TV, now that we don't have satellite service we watch a lot less TV. It's not on just for background noise anymore which is peaceful and I don't get sucked in to watching a Saturday afternoon marathon of a bad reality series when I should be doing something else.

And here's her update:

We disconnected our satellite service at the beginning of December 2010. Which means we have been without service for 2.5 years! When we disconnected, our bill was almost \$80 a month (when we first got it, we paid around \$65 and over the years they would increase the package or additional receiver fee by a few dollars – I have no doubt that we'd probably be paying more than \$80 now because I'm sure it's increased over the last 2.5 years).

But if you take the \$80 we were paying and multiply it by the 33 months that we *haven't* paid it, you will see that we have **SAVED \$2640!** That's a nice chunk of change! If I let myself think about it too long, I get MAD at myself for all the years we SPENT all that money on satellite!

Eliminating cable is not for everyone and if you feel like cable is a justified monthly expense, than by all means keep it. But if you can find alternate ways to view your favorite shows for less, than why not save the money?

When Bills Are Less Than Budgeted

Hopefully by now you have used the Budget Binder to create your 3 month budget. When it comes to your fluctuating utility bills, you should have used an average amount. When your utility bills are less than average, you can add that money to your fund! Be sure to try to find creative ways to lower your utility bill.



When it is more than you budgeted for, you will need to take the difference from the miscellaneous allowance. Hopefully you won't find yourself in that situation though.

Saving Your Change Adds Up

Saving your change can quickly add up. When my husband and I were struggling to make ends meet and we were expecting our first child, we saved all our change for the first 6 months of the pregnancy. When we added it up, we had \$90 which was enough money to buy her stroller! This was money that was basically painless for us to save.

In the Budget Binder, I teach you to get cash out of the bank for your grocery and miscellaneous funds. As you spend money from these envelopes, make sure you always break your dollars and save your change. Always add your change to your fund. For the 2012 Disney Fund, I saved \$145.43 in spare change for our trip. It really does add up!

Check For Rewards

Did you know that some banks offer points or rewards for using your debit card? Some offer reward points if you swipe your debit card as a credit card (my former bank did). This is a very easy way to earn rewards that can be cashed in for gift cards, credit or cash for your fund!

You can usually find out if the bank offers rewards right on their website. My bank gives me cash back at select merchants when I use my debit card as a MasterCard. It shows up underneath the charge on my online banking statement and I have to manually select that I want cash back. It also offers me additional discounts at some merchants. Also, be sure to check your credit cards and make sure you are redeeming the rewards you earned by using them. A lot of these rewards will expire without people knowing. Some places offer Disney gift cards as one of the rewards. Be sure to check to see if yours does!

When I was helping my friend with her budget, she learned that not only did her bank offer rewards, but she had racked up enough to get a \$100 gift card to Lowe's! What a great way for her to start her fund.

If you discover that your debit card or credit card are offering rewards or incentives you weren't aware of, leave a comment and let me know! I love hearing that I helped someone find money they didn't know they had.



The Miscellaneous Allowance

In The Budget Binder, I touch on the Weekly Miscellaneous Allowance. I wanted to elaborate further on this allowance.

A Weekly Miscellaneous Allowance is meant to cover any expenses that you have that do not fit into the Grocery/Dining Out, Entertainment or Gas Budget. This includes things that crop up during the week like fees, vet bills, pocket money, doctor visits, prescriptions, etc. But you can also delegate a portion of this money to expenses that crop up during the year such as clothing, shoes, school dances, portraits, gifts, new eye glasses, etc.

In the Budget Binder, I recommend that you roll week #1's Miscellaneous Allowance into week #2's and then at the end of week #2, you put the remaining balance into your fund (using the My Fund worksheet). However, if your budget needs it, you can apply any (such as half or a third) or even all of the remaining miscellaneous fund into a yearly miscellaneous fund.

Store your yearly miscellaneous fund in your savings account and use the Savings Account Breakout sheet to keep track of how much you have saved. When larger expenses crop up, you'll be able to deduct the amount from the yearly Miscellaneous fund instead of having to try to rearrange your budget to find the money.

If you want to take it a step further, you can set a monetary goal for each item that your Miscellaneous Yearly Fund would cover. For example, if you wanted \$300 a year for new eyeglasses and \$400 a year for new clothes, you could set your goal for your Miscellaneous Fund at \$700. Once you reach that amount, you could resume applying all remaining balance of your Weekly Miscellaneous Allowance into your main fund using the My Fund Worksheet.

Necessary Expenses

Every year, the same necessary expenses come around again. There are new clothes to buy, shoes to replace, car tags, Christmas gifts etc. Instead of trying to figure out how to pay for these expenses as they crop up, you might want to build them into your budget as a 'bill' and pay for them throughout the year.

Sit down and figure out how much you will need for each expense you will have. Then divide that amount by 12 or even 24 (if you want to pay into this bi-weekly) and add it as a bill into your budget. When you are due to pay this bill, put that money into your savings account and use the Savings Account Breakout worksheet to keep track of how much you have saved for your expenses.



You can also apply your miscellaneous allowance to expenses (read more about that under Miscellaneous Allowances). Just figure out what is going to work best for your budget to keep everything running smoothly and effectively.

Big Purchases

Are there items in your home you need to replace? Maybe a large appliance is on its last leg? Do you want to invest in a Deep Freezer? Had your eye on a generator for the next time the power goes out? Take a moment to make a list of all the big purchases you might need to make within the next year and write an estimate of how much it might cost you.

Once you know how much you need for these items, it's time to figure out how to pay for them. You definitely do not want to find yourself in a situation with a dead appliance and no way to pay for it without draining your emergency fund or charging it on a store credit card.

Here are a few ways you can build these purchases into your budget:

- Decide on a date when you want to purchase the item. Count how many months are between now and then and divide the cost of the item by that number. So if it is 6 months from now and the appliance is \$600, you would need to save \$100 a month. Write this amount in as a bill on the Budget Worksheets. When you pay the 'bill', put the amount towards the cost of the big purchase.
- Apply any remaining balance from the Miscellaneous Fund to the amount you need for this big purchase. So if it is a \$600 item and you budget \$50 a week for your miscellaneous fund, you would take whatever is left at the end of the week and apply it towards your goal. Do your best not to spend anything out of the miscellaneous fund until you reach your goal.
- Set the big purchase as the goal for Your Fund. You don't have to use the saving principles to save for Disney World or other vacations. You can use them to save for big purchases that you need to make.

Yearly Bills

I have bills that are due every year. My car tags are due in March, my association dues in May and my termite bond in November. Instead of trying to figure out how to pay those bills when their due date rolls around, I pay them throughout the year.

I take the balance of each bill and divided it by 12. Each month, I take 1/12th of the bill and put it into my savings account (and use the Savings Account Breakout Sheet to



track it). When the bill is due, I have the money for the bill in my savings account and can pay it effortlessly.

Hopefully this strategy will work for you.

Spending From The Emergency Fund

In the Budget Binder, I teach you to have a \$1,000 emergency fund for life's unexpected expenses. It is a given that at some point you are going to have an emergency and you are going to have to dip into that money. Maybe your husband will need emergency dental work or you will hit a deer on the way home and have to pay your deductible to get your car fixed; whatever the emergency may be, it's going to be a lifesaver that you have the \$1,000 emergency fund.

If you dip into the Emergency Fund, you need to get it back to \$1,000 ASAP. Immediately reconfigure your budget worksheets in order to put all extra money towards the emergency fund to get it back to \$1,000. You should pause putting extra cash towards any debt payments and instead put it back into your emergency fund until you reach \$1,000. As you have already learned, having this emergency fund is vital to succeeding on your overall budget.

Budgeting Once A Month Income

I had a reader ask a really great question – “How can I make a budget when I get paid once a month?”

Here's how I think you can make the Budget Binder work for you:

#1 – Pay all of your bills as soon as your once a month payment hits your account.

#2 – Figure out your weekly allowances following the instructions in the Budget Binder.

#3 – Set a date when you want to reset your weekly allowances. If you get paid on the 1st, I would go with the 1st, 9th, 16th, 23rd as your reset dates for your weekly allowance.

#4 – On your reset date, withdraw your grocery and miscellaneous allowances out of your bank in cash. Keep the Gas and Entertainment budgets in the bank.

#5 – Between reset dates, pretend you absolutely have no more money in the bank. Don't be tempted to dip into future week's allowances because it is already there. If you constantly dip into your bank balance for little things, consider moving everything out of your bank account at the beginning of the month into savings and transferring over your weekly allowances each week.



#6 – When figuring out your bills, consider adding in an additional ‘bill’ for unexpected expenses. It might be between \$50-\$100. Consider this money spent when figuring out how much is in the bank, but if something pops up during the month that wasn’t budgeted/allowed for, you would have this financial cushion to take it from. Those of us that are paid bi-weekly or weekly have the benefit of rearranging the next paycheck’s budget to cover an unexpected expense. But when you are 3-4 weeks from the next paycheck, it’ll be nice to have this cushion to pull from.

Hope this helps all of you who are only paid once a month. Let me know if you have any other ideas on how you can make this work for you.

Your Income Tax Return

When tax season rolls around, do you get a refund? If you do, consider yourself lucky. Then consider that the money you are getting back is actually the money you paid in to the government during the year that they got to keep without paying you any interest. When was the last time that you checked your dependents and filing status with your employer? One reader who had 3 kids found out that they still had her husband marked as single on his W-4! By changing that status, they get a smaller refund but his paycheck increased substantially.

When your income tax return comes, what do you do with it? Before it even arrives, sit down and make a list of how you should use the money. Do you need to build your \$1,000 emergency fund? Do you have a big appliance you need to purchase? What is the best financial decision you could make with this money?

And whatever you do, DO NOT pay out the wazoo to have your filed for you. I always recommend trying to do them yourself online before going to a place like H&R Block. I once knew someone who paid almost \$600 for their taxes to be completed and then paid another \$50 to have their check rapid refunded to them. That’s \$650 which would pay for a new washing machine!

Bonus Paychecks

If you get paid weekly or bi-weekly, approximately 2 times a year you will find yourself with what I call a bonus paycheck. This is a paycheck that happens to fall in your budget to where there are very few or no bills that have to come from this paycheck!

My husband gets paid bi-weekly and our bonus paychecks are in May and November each year.

When you are completing your budget and you come across a bonus paycheck, here are some options on how to handle the increase in income during this budget period:



- Use it to fund your Emergency Fund
- Use it pay off debt
- Apply it towards a savings goal (such a college, new appliance, etc)
- Spend half to purchase items you need and save the rest
- Put it into a rainy day fund to use for expenses that might pop up in the next few months such as clothes, new tires, etc.

Saving For Birthdays

If you have birthday gifts or a birthday party to save for, I recommend starting your savings at least 3-4 months in advance. Here are a few ways you can save for it:

- Save \$10-\$20 a week out of your miscellaneous budget.
- Treat the birthday expense as a 'bill' and write it into your budget. You can deduct the funds at once or over the course of a few Budget Worksheets.
- Save for the birthday as "Your Fund" and apply all of the money you save for "Your Fund" for the next few months to the party.
- Be sure to research ways to save and cut costs to make this birthday affordable and on budget.

What Are You Saving For?

Sticking with a budget can be hard. I've talked with people who have said in the past that they haven't had a budget work for them, but once I taught them how to budget using the methods in the Budget Binder, they have not only been able to stick with the budget but they have been able to save money they didn't even realize they have!

The key to making a budget work is having something to save for.

If you want to make a budget work for your family, you have to have something that you are saving for. With the Budget Binder, I teach you to set up a fund for something that your family would enjoy/need. The fund could be for a Disney vacation, a weekend getaway, a new television, a zoo membership, a new car, etc. The possibilities are endless. Whatever you can dream of, you can save for!

Now the question is.... what are you saving for?