

How to Set Up a Family Budget

A budget allows you to control your family's spending so that you have enough money to pay your bills while also saving for vacations, retirement and your children's education.

Steps:

1. Get out three months of pay stubs and determine your average monthly income.
2. Gather three months of bills, add them up and divide by three to calculate your monthly fixed expenses such as rent or mortgage, utilities and phone, car payment, insurance and student loan payments.
3. Add together three months of other monthly expenses, including groceries, clothing, credit card expenses, medical bills and cash outlays. Divide by three and add the result to your monthly expense total.
4. Evaluate your expenses; look for opportunities to economize, and develop a plan to cut back spending in specific areas.
5. Develop a monthly budget and stick to it.
6. Set up a savings plan such as a passbook account, certificate of deposit (CD) or individual retirement account (IRA), and begin making regular deposits.
7. Track your income and expenses monthly to evaluate how the plan is working, then fine-tune to produce the desired results. Use personal finance software to gain an accurate overview of your spending and locate problematic habits.