

Instructions for Worksheet #5

Start with next month. Then work your way to a full 12-month budget.

1. Preliminary Guidelines:

- a. Consult your Financial Goals (Worksheet #2, page 9) and work them into your budget.
 - b. Consult your Income and Expense Statement.
 - c. Determine how much you will invest in your business.
 - d. Include a Reserve Fund.
 - e. Plan with your family. Your partner and children are more likely to follow a budget if they participate in it.
- 2. Enter INCOME.** In addition to wages, include gifts of money, bonuses, refunds, and any other kind of income you expect.
- 3. Enter EXPENSES.** First, pencil in the goals you identified in #1 above. Next, pencil in the rest of your expenses, beginning with *necessary expenses*. **Necessary expenses** include rent, food, utilities, and such. **Discretionary expenses** include items over which you have more control, such as entertainment.
- 4. Personal Allowances.** Using separate sheets of paper, negotiate a personal allowance for each family member. Add the amounts and put the total on the master budget. Separate allowances will help reduce spending conflicts and increase autonomy.
- 5. Enter MISCELLANEOUS.** Budget at least 10% of your income for expenses you forgot or could not have foreseen. MISCELLANEOUS is in addition to a **Reserve Fund**.
- 6. Balance the Budget.** With the help of family members, keep revising the Budget to make expenses balance with the income. It may take several drafts before the Budget feels just right.

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