

How to Create a Budget

Here are the basics of money management to help you take inventory of your finances and set goals.



The world is mesmerized by money. A rack full of newspapers and magazines and a truckload of newsletters devote themselves entirely to chronicling the use and abuse of money. Cable TV beams money-related programming day and night. The Internet is jammed with money-minded Web sites. Money is a top-ten topic of family conversation, too.

Considering that the subject occupies so much of our time and attention, isn't it amazing that so many people have barely a clue about how to handle their own money? Amazing maybe, but no mystery: Americans typically manage to navigate 12, 16 or more years of very fine formal education without ever learning how to balance a checkbook, size up a stock or resist a fast-talking salesman of bad financial ideas. So here are the basics of money management, from setting goals to budgeting to figuring out your net worth.

- **Take a Financial Inventory**
Find out what you own and what you owe, then track where your money goes.
- **Look at Cashflow**
Take the time to find out where your money is going on a day-to-day basis.
- **Build Your Budget**
Think of your budget as a means of setting and reaching your goals. Here's help to get you started.
- **Plug the Holes in Your Budget**
If you start picking up distress signals, run your budget through these checks.
- **Set Financial Goals**
The most important step toward financial security is to translate it into your own terms.

<http://www.kiplinger.com/article/credit/T007-C000-S001-how-to-create-a-budget.html>