Step 4: Build Security at Home (part 2)

Homework

Are you in control of your money? If it's been misbehaving, use a budget to get it under your control.

1. What is your monthly take home pay?

2. List all your fixed monthly expenses.

3. List all your variable monthly expenses (expenses where the amount is different each month, like the electric bill). Calculate an average monthly price based on the annual cost.

4. List all the items you don't pay for or buy monthly. Take the amount you'll be spending and divide it by the number of months until you'll be paying for it. (For example, if my annual car insurance is due in 4 months, insurance cost / 4)

5. List any other "saving-up-for" items not listed in #4. Divide it's total amount by the number of months until you'll be paying for it.

6. Create your monthly spending plan (a.k.a. budget).

1. Write your income at the top.
2. Write all your expenses in a column on the left.
3. Deduct expenses until all the income is accounted for.
4. If you run out of money before deducting all the expenses, reduce or eliminate some items.
5. If you have money left over after deducting all the expenses, allocate it to something, e.g. savings.

Do you need to adjust your spending? Use the DefCon system to help align your spending with your values.

1. Write each budget item on a 3 x 5 card.

2. Place the cards into 5 stacks:

#1 Bare necessities

#2 Other necessities

#3 Important to you

#4 Nice to have

#5 Luxuries

3. Which DefCon level is currently right for you, given your present income and financial goals?

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4. Look at the stacks of cards that are in DefCon level(s) higher than yours and write those budget items here:

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5. Eliminate the items listed above from your budget.