The Family Budget

A BUDGET is something you make and remake until it works for you and you are satisfied with the results.

There is no magic formula.

Budgeting does not mean pinching pennies and recording every cent spent.

It is a way to get what your family wants most, whatever that may be.

If you do not have money to pay bills when they are due or cannot accumulate enough for a vacation trip, a budget can ease worry about money and start you on a savings program.

Making and following a budget help all members of your family to understand how and where to use money. That, we believe, is a cornerstone of education for modern living.

THE FIRST STEP in making a budget is to set goals. Some goals are for the distant future. Some are for next year. Some are for right now.

Decide what your family's needs and wants are. List them in order of importance.

Add to the list—and also subtract from it the items that time makes unimportant.

Do not let long-term goals get lost in day-to-day demands. Too many porterhouse steaks this month may crowd out a new dishwasher next year.

Define your goals clearly. Then they will be easier to reach. An example: Long-term goals may be paying off the mortgage, establishing a fund to cover the children's schooling, or saving for retirement. Your goal for the next year may be a new car, a living room rug, an encyclopedia, a fine phonograph and records.

THE NEXT STEP is to estimate how much money you will have available to spend for the planning period.

The planning period may be a month, a year, or any period. A year is a usual time for which to plan, but you may wish to set up a trial budget for a shorter period to see how it works out.

Start by considering your income in two ways—before taxes and after taxes. Income after taxes is the true amount available to spend and save. Thinking only of the amount before taxes may lead you to buy more than you can afford.

Write down all income you expect to receive. Include wages or salary, net money earned from a farm or business, interest from a savings account, dividends, and any extra money that may be earned from odd jobs.

Then estimate your income taxes and subtract them from your total money income. Write the answer down. That is the figure to keep in mind in making the budget.

Now estimate your expenses. You can recall some expenses well enough to make an estimate. Checkbook stubs, receipts, and old bills are good reminders for some items.

For other items (food, clothing, household operation, recreation), a record of present spending to see where your money is going is more helpful.

You might buy a form for keeping records or draw up your own. Rule off a form on a sheet of paper or in a looseleaf notebook. Allow a separate column for each category of expense that you want to keep track of. Leave enough space to enter the items you bought and their cost. Add up the amounts at the end of a week or a month.

Keep the record for a month or two. Use it as a guide in estimating expenses in your plan for future spending. In the estimate, make any changes you think are needed in order to get the things your family needs and wants most.

At this point you are ready to set up your plan. The plan needs to be based on your goals, income, and expenses.

On the next page we give a sample of a form you may wish to use.

Start by planning to save something for a purpose or toward a goal. Decide on an amount and treat it as you do any other bill that must be paid.

We strongly recommend that you build up an emergency fund for illnesses, repairs that unexpectedly become necessary, accidents, and such.

After you have an emergency fund, start saving for your other goals.

If saving for retirement is a long-time goal and a certain percentage of your salary is being withheld to be applied toward retirement, count it as part of your savings goal. Or if the social security tax is deducted from your paycheck, consider it as savings, too.

Some of your expenses occur once or twice a year or every month. Some of them have to be paid in definite amounts at definite times.

In setting up your plan for future spending, list the expenses that come up only once or twice a year, such as real estate taxes, insurance premiums, vacation, fuel, and perhaps certain debt payments. Divide these expenses by 12 and set aside the required amount every month. Thus you spread the cost and have money to meet them when due.

Next list the expenses you expect to be the same from month to month. Your rent likely will be the same. If you are buying a house, or a car, or furniture on the installment plan, your payments will be the same. You may have other obligations, such as contributions to church and relatives.

After you have estimated your savings and regular expenses, you are ready for the day-to-day expenses.

Estimate how much to spend for food and beverages, clothing, transportation, and all the other budget groups. Go back over the records you kept and see what you spent for each of the budget groups. You may decide you need to spend more on some and less on other groups.

Remember to allow some leeway for unexpected or forgotten items.

A personal allowance for each person that need not be accounted for is a good thing, we believe, even if it has to be small.

Now work in the items you and others in the family have listed as your immediate goals.

With the information you have now, you are ready to add the totals and compare your planned outgo with your estimated income for the planning period.

If your income covers your savings and expenses, you have no problem. Any surplus you can add to savings for future goals or use to satisfy some immediate wants and desires.

If, as more likely will be the case, you have planned for more than your income will cover, you will need to take a new look at all parts of your plan.

You will need to decide which of your wants are less important, important, and very important. Look at the day-to-day expenses. Try to trim them.

For example, you may be able to defer some of them, or substitute a cheaper item, or paint your house yourself instead of hiring someone to do it, or take advantage of free community services (like your library and a free recital instead of going to the theater), or patch John's pants instead of buying a new pair.

Scan your regular expenses, too. Maybe you can reduce some of them. It may be better to move to a less costly house, get a cheaper car, or convert an endowment insurance policy to a cheaper form of life insurance.

A BUDGET PLAN

Item		*Amount*
Money income after taxes		$______
Savings:		
Future goals and emergencies		$______
Seasonal and large irregular expenses		______
Regular monthly expenses:		
Rent or mortgage payment	$_____	
Utilities	_____	
Installment payments	_____	
Other	_____	
Total		______
Day-to-day expenses:		
Food and beverages	$_____	
Household operation and maintenance	_____	
Housefurnishings and equipment	_____	
Clothing	_____	
Transportation	_____	
Medical care	_____	
Education and reading	_____	
Recreation	_____	
Personal and miscellaneous	_____	
Gifts and contributions	_____	
Total	_____	
Total		$______

ESTIMATES OF SPENDING BY CERTAIN FAMILIES

	Income after taxes	
	$4,000 to $5,000	$6,000 to $7,500
	Percent	*Percent*
Total	100	100
Savings	2	4
Personal insurance	5	5
Gifts and contributions	4	4
Total for current living	89	87
Food and beverages	24	21
Shelter (rent or mortgage interest payments and upkeep, insurance and taxes)	12	11
Fuel and utilities	5	4
Household operation	5	5
Housefurnishings and equipment	4	5
Clothing	8	9
Transportation	15	14
Medical care	6	6
Education and reading	1	2
Recreation	3	4
Personal and miscellaneous	6	6

Look at these things realistically—are they nearly as important as the really big things you want, such as security, education, and the means whereby you attain your ambitions?

After trimming here and cutting there, if your budget still does not balance, you may want to consider ways of adding to your income.

IF THIS is your first budget, it may help to have some idea of how other families divide their income. We give in a table some estimates based on studies of spending by families at two income levels with three or four members.

The estimates show that a budget based on one set of percentages would not fit both income groups. Neither would one set of percentages fit all families in the same income group. Families have different needs and different desires.

For example, if your family prefers to live in a house with plenty of space, your plan may allow more of your income for shelter, fuel and utilities, and household operation, and less for some other items.

ONCE YOUR BUDGET is made, try it out.

It helps to keep records to see how the budget works. (Records are also helpful when it comes time to make out your income tax report.)

An easy way is to have a spindle on which to stick receipts and other notations of amounts you spend. At the end of the week or month, add up the amounts and record them. Or you may wish to continue using the same form you set up earlier to record your expenses.

Keep records simple—the simpler the better. Once you know where your money goes, you may not need a detailed account.

At the end of the budget period, compare what you actually spent with what you planned to spend. Were you fairly close? Were you satisfied with the results? Did you spend more than you planned? If so, why? Did you buy on impulse?

Your first try at budgeting may not be completely successful, but each time you try means improvement.

Even if your first budget is "perfect," it will need adjusting from time to time. For example, if you have a change in income, children are added to the family, or you move to a different community, you will find you need to adjust your budget.

Through a budget, however, you can plan to get your day-to-day needs and future dreams. (LUCILE F. MORK AND MINNIE BELLE MCINTOSH)

Insurance

THE LANGUAGE of insurance may be puzzling, but your decisions about insurance will be easier if you keep a few fundamentals in mind.

You should first know what insurance is supposed to do. Basically, it is to help protect you and your family against financial hardship due to hazard, accident, death, and so on. To rebuild your home after a fire, pay a large court judgment, or provide for your family if you die early may require more money than you have. Damage to your car or theft of property, however, may be less serious financially.

Knowing your risks, then, is important to selecting the right insurance.

Start by looking at your property and your family responsibilities. Think about the chance of various mishaps or events, which could cause major trouble and expense. It is wise to insure against them.

Do not insure against the little losses that will not hurt.

Few families can afford all the protection they need and should insure the greater risks first.

A little study before you see an insurance agent will help your money go as far as it can in fitting you with proper insurance. He will answer questions and advise you on details, but the final decision is yours. The kinds of insurance from which to choose seem limitless.

THE FOUR BASIC policies of life insurance are term, whole-life or straight, limited-payment, and endowment.

They differ mainly in whether the insurance is permanent or temporary