

# Budgeting Tips

*Budget: the amount of money that is available for, required for, or assigned to a particular purpose. (Merriam-Webster Dictionary)*

With the current state of the economy, individuals, families and businesses alike are revisiting their budgets, or creating budgets for the first time, with greater scrutiny in an effort to be more conscious of their cash flow. If you are also looking to be more accountable for the money you spend, below are some ideas to get you started:

## **Pay off high interest loans and credit card debt.**

Start with the debt with the lowest balance and the highest interest rate and alternate with smaller bills that you can pay off quickly. Paying off the highest interest rate first will save you the most money in the long run. It can be discouraging, so alternating between the larger and smaller bills will help you feel like you are getting somewhere. The key is to aggressively reduce these debts and stick to your plan.

**Track spending.** You know how much you bring in, but do you know where it all goes? One of the first steps in creating your budget is tracking your spending. Gather all of your receipts for the month and separate them into three categories: fixed expenses, variable expenses, and non-essential expenses. You may be surprised at how much you are spending on variable expenses and unnecessary items. Use this information to free up some of your money so you can easily add to your emergency fund.

**Take steps to reduce variable expenses.** Variable expenses, such as utility bills, clothing and groceries, are some of the easier expenses to cut back on. Call your phone company and negotiate a better rate, use coupons for groceries, buy in bulk, and shop for clothing at discount stores. You can take additional steps to save money on food related items by: planning your meals ahead of time; making a list and sticking to it; buying store brands or generics; stocking up on sale items; and taking your lunch to work.

**Build an emergency fund.** An emergency fund is money you save for unexpected expenses and should not be used to pay for luxury items, vacations, or anything except an emergency. How much you should save depends on your own situation, but it is recommended to save at least 3 to 6 months worth of your salary. Ideally, when you reduce your expenses and pay off debt, you will add to your emergency fund.

**Be optimistic.** Being mentally prepared is as important as being financially prepared. Knowing the possibilities, planning ahead, and preparing yourself for the worst will help you feel more secure with less stress and worry.

To contact UW CareLink Faculty and Staff Assistance Program, please call: **866-598-3978** or visit [www.apshelplink.com](http://www.apshelplink.com) (company code: UW)

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