

## Taking a Closer Look: Empowerment in Personal Finance

Do you fear opening your bank statement or credit card bill each month? Do you feel that you make a decent salary, but it seems your money is disappearing? Do you even know how much debt you carry? Does your situation feel hopeless?

Ask one of the many families who have been in this situation, and you'll find that, in most cases, living day to day with the fear of not having a clear understanding of your finances trumps any fear you'll have if you take the plunge and face them head on.

As we've outlined in previous months' articles, the key to staying afloat is INCOME *minus* EXPENSES *must equal* ZERO, or, better yet, more. But, no matter if you're making \$200,000 a year or \$30,000 a year, if you don't have an idea of where your money is being spent each month, you risk overspending, and you cause yourself to live with constant worry about finances. Therefore, the crucial first step, no matter how hopeless you think your situation is, is to get all your income and expenses clear on paper. It is much easier to formulate a strategy when you know what you're up against.

Where to start?

First step- know your actual income. Make a list of any income received minus any withholdings<sup>1</sup>. Include regular gifts, unemployment, disability, side jobs—in other words, every dollar that comes into your hands. The TOTAL income should be divided by 12, and this is the amount of money you have available to spend each month.

Next, make a list of all your known expenses. This falls into two categories. The first category is fixed expenses, those that occur regularly and cost the same each month<sup>2</sup>. Any expenses which are not paid monthly should be divided by 12 and included in your monthly budget (which helps ensure you'll have the money to pay your property taxes or gardener when the bill comes in the mail).

The second category is variable expenses, or any expenses which are not a fixed amount<sup>3</sup>. The important thing when creating a budget is to sit down as a family and really think about every possible expense that comes up and make sure it has a category on your spreadsheet. There will be the inevitable "catch-all" category entitled *miscellaneous*, but I recommend it should CATCH as little as possible—so it doesn't CATCH YOU unawares! Again, divide each expense by 12, if it does not occur monthly.

The last step is getting all your debt on paper<sup>4</sup>. If you don't have debt—pat yourselves on the back. Write down the minimum monthly payment for each item of debt and include this in your monthly

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<sup>1</sup> NET income- your actual salary minus taxes, social security, retirement funds, health insurance, etc., which are deducted from your paycheck.

<sup>2</sup> I.e. mortgage or rent payments, car payments, insurance payments (car, health, life), property taxes, certain utility bills, tuition, any membership payments (shul, gym, zoo...), gardener/snow plow, etc.

<sup>3</sup> I.e. food, household products, clothing, travel, gifts, healthcare costs such as deductibles/copays, gas for your car, gas and electric bills (which vary from month to month), tzedakah, health and beauty, cleaning help, car and home maintenance, yamim tovim, etc.

<sup>4</sup> I.e. school loans, credit card debt, gemach loans, outstanding taxes, loans from family members, etc.

expenses. Ideally, you'll have money to pay more than the minimum monthly payment, but this is a start. Hopefully, by getting your income and expenses clear on paper, you can work to end the cycle of accruing any additional debt.

For budgeting to work, the numbers must be real. If you're like most people, you will not be able to accurately guess what you are spending in each category. This takes some time and energy, but it is well worth it. Track your expenses for a few months, look over old utility bills, checkbook registers, and credit card bills.

Once you have accurate numbers, you can start to analyze where adjustments are needed. Do you truly need more income? Are there community resources and/or government programs that can help bridge the gap? Can you get by with cleaning help once every 2 weeks? Is there a less expensive place to shop for groceries? Once everything is down on paper with concrete numbers it will be much easier to see where improvements can be made.

Next edition: methods to stick to your budget.

If you would like help creating a budget for your family, please reach out to us at 216-932-3115 (please leave a message) or [info@clevelandchesedcenter.org](mailto:info@clevelandchesedcenter.org) to set up an initial meeting. You can find budgeting resources on our website at [www.clevelandchesedcenter.org](http://www.clevelandchesedcenter.org) under "What's New."