Fundamentals of Budgeting

Getting rich is in your hands, nobody else's . So get started with working hard or smart (depends on you again), adding to your finance knowledge and generally taking responsibility for yourself. Get Rich Or Die Trying. Just kidding! But read on for some serious stuff.

If Financial decisions look like rocket science to you and Investing is even more daunting, here are some baby steps for you.

This one is from Deborah Fowles, Guide to Financial Planning in About.com Seems very elementary but I doubt how many people are scoring more than 5/10. Here it goes, the top ten:

1. Get Paid What You're Worth and Spend Less Than You Earn : Hey, I get less than what I deserve and so do you!! And I've not done any budgeting so that I may be sure of the second part.

2. Stick to a Budget : I'm ashamed, no budgeting exercise for myself, not to speak of sticking to one.

3. Pay Off Credit Card Debt: Thank God, I finally get a score on this one. I've managed to stay clear though I've had to suffer with the agonising interest calculations earlier.

4. Contribute to a Retirement Plan: I do have a pension plan but I've never cared to figure out whether it is sufficient! Will give 1/2 for that one to me.

5. Have a Savings Plan: Yeah ,I'll be partial to myself and give some score here too! I do save about 15% of my income though it's a recent phenomena. Better late than never!

6. Invest! : Pretty straight forward. But few people manage to find an hour for that in a week. They'll rather watch TV(Big Boss is on these days!)

7. Maximize Your Employment Benefits : A meeting with your HR guy!! Brace yourself. I have no hope with my guys.

8. Review Your Insurance Coverages: Putting a finger on that is important from the family point of view. Those of you without that responsibility can breathe easy on that count. But I get full marks here!

9. Update Your Will: Never thought about that up till now. Bless Ms Fowles.

10. Keep Good Records: I will, as part of my New Year resolutions. But I've yet to get started on that. Next Monday, I promise.

Phew!, I score about 4/10!! So much potential to improve!!

But before I sign off, for guys who suddenly want to get started with their budgeting exercise, here are percentages of major spending categories from the US Bureau of Labor Statistics (2003) Consumer Expenditure Survey. May not apply to you and me but it's an interesting statistic anyway. Gives you an idea where you stand and where you can increase/decrease your expenses.

Food at home 7.7%
Food away from home 5.4%
Alcoholic beverages 1.0%
Total food and drink 14.1%
Housing 32.9%
Apparel and services 4.0%
Vehicles 9.1%
Gasoline and motor oil 3.3%
Other transportation 6.7%
Healthcare 5.9%
Entertainment 5.0%
Personal care products and services 1.3%
Reading .3%
Education 1.9%
Tobacco products and smoking supplies .7%
Miscellaneous 1.5%
Cash contributions 3.4%

Personal insurance and pensions 9.9%

Work on your Budget sheet for two hours and it'll tell you a lot about yourself. Look at it as a personality test!!

Download the worksheets

And yes, Taxquery wonders how any financial planning can be successful without tax planning. He's dead right. Go to his wonderful blog for tons of info on Taxes