

Economic Pressures Got You Down?

Break Free From Debt!

Implement the Envelope Budgeting System

“Cash is STILL king”. In 2008, we have seen how debt can take a huge toll on family households. One of the best ways to get out of credit card debt and start 2009 fresh is to **create a budget and stick to it!**

Here are a few simple steps for starting envelope budgeting:

- 1. Budget each paycheck and determine which categories to include in your budget.** Budget every penny of your paycheck to the last dime. Note everything you spend on that is not paid online or by check through the mail. Categories to be included: food, household products, gifts, gas, clothing and entertainment.
- 2. Use past spending to establish initial budget amounts.** If you use debit cards, download your last 90 days of transaction history. If you are an “old schooler” who has never used a debit card, use your bank register. Identify which transactions fit into each of the categories listed above. This will not be an exact science (a Wal-Mart transaction on your statement could fall in several categories). Estimate an average monthly expenditure for each category.
- 3. Create an envelope for each spending category.** Write the name of the category and the monthly amount budgeted on the outside of the envelope. You may not have enough cash in your checking account to fill all the envelopes with your first paycheck each month. That’s fine, just break down the monthly budget amount by the number of times you are paid in a month. But remember, \$0.00 is the magic number when creating a budget. Every penny of your paycheck must be accounted for. Nothing should be left over.
- 4. When the envelope is empty, stop spending.** The only way this system will work is if you make a pact with yourself to stop spending once the envelopes are empty. That means no trips to the ATM and definitely do not pull out the credit card! You cannot move money between envelopes and you cannot spend money allotted in another category. If the food envelope is empty, look in the refrigerator for leftovers!
- 5. Revise and Repeat.** No budget will be perfect from month to month. Each month gives you an opportunity to make corrections and adjustments. You may have a formal affair to attend which requires you to increase clothing allowance for the month, which means less on dining/entertaining. You get the picture. Don’t give up and give it some time to work!!