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CARE Program: Budget

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Unless you have unlimited funds like Bill Gates, you must have a written budget (call it a savings and spending plan if that works better), which you need to update as your circumstances in life inevitably change. It's the foundation of any sound personal financial plan.

A budget is more than a math problem that compares all of your income to your known and anticipated expenses. It's the roadmap to living within your means that will make it possible to answer the following questions so you can avoid a financial accident: **first**, what are you spending your money on, are they needs or wants (be honest), and could you pay less for them if you had to; **second**, after you have provided for your needs, do you have any excess income so that you can purchase some of the things you want or borrow money (remember, you should only incur debt if you have excess income to repay it); and **third**, do you need to increase your income and/or decrease your expenses so that you can always live within your means while meeting your basic financial goals - have savings, pay for your needs and acquire some of your wants without going into debt that you can't afford to repay?

In the CARE Program we tell stories about the importance of having a budget so you can understand what you're actually spending your money on, like the young man in his late 20's who was deep in debt. He created a budget for the first time and, after he tracked and analyzed

everything he was spending his money on, he found that he was spending \$700.00 a month more than he needed to. How about the man who was buying two sodas a day from the vending machine at work. He realized that he could save hundreds of dollars a year by purchasing a few cases of soda at Sam's Club and storing them under his desk. We also talk about the importance of analyzing each separate expense to see where you can save money. For example, have you researched the best cell phone plan for your actual needs, are you buying your gas for \$.06 to \$.08 per gallon less at a shopping club and your Progresso soup at \$.20 per can cheaper at K-mart?

Too many people have financial problems from trying to "keep up with the Joneses" in our competitive consumption society. They borrow more money than they could ever repay, primarily by using credit cards as if it's more money or free money. They could have avoided these problems if they had a budget, because it would have shown them how much they could have actually afforded to borrow on those cards and repay in monthly payments over a reasonable period of time.

The bottom line is that if you want to live within your means and avoid unnecessary debt and financial problems, you need to start with a budget. Visit one of the many financial Web sites where you can download forms and learn how to budget effectively.

Also, remember, your most important expense is "savings," so a budget that doesn't provide first for "savings" for emergencies, anticipated expenses and long-term goals, is not worth the paper it's written on.