

Five Steps to Writing an Annual Budget

By writing a budget, you will be able to plan for your present and future needs. Once you adhere to a budget, you can save money for life's essentials, pleasures, and emergencies. To write a budget that suits your needs, follow these five steps.

1. Keep a Record of your Expenses

Look at your bank statements for the last year. Write down the amount of money that you spent on essentials. This list should include rent or mortgage payments, utility bills, insurance, transport costs, telephone and internet fees, and education fees. Record, as accurately as possible, the amount of money you spent at the supermarket, on clothing, and on any major items you purchased, such as a new refrigerator.

Add up all of your last year's expenses. Look at your last year's income. Last year, how much money did you fritter away on non-essential items? How much money did you save? Are you happy with the amount of money you saved? If you want to save more money this year, you will need to set yourself a budget.

2. Make a List of the Items You Wish to Purchase in the Next Twelve Months

Make a new record of expenses for the next twelve months. If any of your essential items have increased in cost from last year, add the new cost to your list. List the amount of money you would like to spend on birthday gifts, wedding and anniversary gifts, and Christmas presents for friends and family. Your list should include entertainment costs, family holidays, and the cost of any sporting activities that you do.

3. Make a List of Items You Wish to Purchase within the Next Five Years

This is your wish list. Maybe you would like to travel overseas within the next couple of years. Maybe you would like to purchase a newer model car or a second family car. Do not add dreams to this list. Only add items that you feel you will be able to afford. Decide on the amount of money you would need to save each week in order to achieve your goal. Start a new savings account with your bank to enable you to save for the item or items on your wish list.

4. Allow Yourself Spending Money

Allow yourself money to spend on non-essentials. You need to be able to spend a little money every week on the things that brighten your day. You might like to buy a fashion magazine, a latte at the local café, or see a film at the cinema. It is important to allow yourself the occasional treat, so you do not become discouraged with budgeting.

5. Write your Budget and Refer to it regularly

Once you have written down all of your expenses, it is time to add up your lists and complete your annual budget. Now is the time to make any alterations to finalize your budget. If your expenses are higher than your income, it will be necessary to adjust your expenditure. You may prefer to remove items from your wish list, or you may prefer to cut down on your everyday spending. For example, you could cook more meals at home instead of buying take-away food or eating out.

Writing an annual budget is the first step towards financial independence. You can make informed choices as to how you wish to spend your money if you have a written budget you can refer to regularly. It can be fun to look at your wish list and watch your savings increase. With careful management, your budget will enable you to achieve all of your needs and goals.