

Creating a personal budget.

An important step in taking control of your personal finances is to create a realistic budget and stick to it.



A budget is the road map you need to reach your financial goals. Stick to it, but you'll have to keep it flexible as well to take care of unexpected expenses. Evaluate where and what you are spending and adjust as necessary. When creating a budget, here is a suggested model for allocating your money:

Housing = 35% of net income (after taxes and other deductions)

This should include:

- Mortgage/rent
- Utilities (power, water, cable TV, etc.)
- Property insurance
- Property taxes
- Home maintenance

General Expenses = 25% of net income

This should include:

- Food
- Clothing
- Childcare
- Medical/prescription expenses
- Tithing/Gifting/Charity
- Entertainment
- Travel/Vacation
- Other general expenses

Debt repayment = 15% of net income

This should include:

- Student loans

- Court fines and costs
- Credit cards
- Department store revolving credit
- Personal loans
- Support payments
- Medical debt
- Tax debt
- Other debts to be repaid

Transportation = 15% of net income

This should include:

- Vehicle loans
- Vehicle insurance
- Maintenance
- Fuel
- Parking/Tolls
- Transit fares/Pass
- Other transportation expenses

Savings = 10% of net income

For most people, this is the most difficult category. Unexpected expenses often occur, leaving no choice but to dip into the savings. Even if you can't always meet your goal every month, try to put away as much as possible. Keep your savings in a separate account so you can quickly see how much is there.

The rule of thumb is to build up a three-month cushion over time to help with emergencies, job loss or other financial difficulties.

This should include:

- Savings account
- Emergency cushion
- 401k
- Other

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Laura Alridge is Vice President and shareholder of Boleman Law Firm and has been practicing bankruptcy law since she joined Boleman in 1998. She is active in the Richmond community, having volunteered with the Virginia Poverty Law Center, Housing Opportunities Made Equal (HOME), The Credit Abuse Resistance Education (CARE) program and the Legal Information Network for Cancer (LINC). She is a frequent speaker at community workshops and professional CLE courses.

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