

Creating a personal budget

Establishing a budget is mission critical to help you to understand where your hard-earned dollars go. A monthly budget puts you in control of your money. It also allows you to determine which items on your budget aren't important, so expenses can be reduced or eliminated. Here are some key items that should be part of every budget:

- Pick a method of budgeting that works best for you. There are some great, free budget software applications. And there's nothing wrong with using a spreadsheet, or even a written budget. Just choose a budgeting method that works for you and stick to it each month.
- Your budget will have **fixed** and **discretionary** expenses. Fixed expenses can take years to change, but they should be evaluated in your budgeting process. Items that fall into the fixed category include your rent, mortgage payments, vehicle payments and student loans. These are usually your largest expenses and will consume the biggest portion of your budget.
- Discretionary expenses are those you have a degree of immediate control to change or eliminate. These are often the smaller dollar items that appear in your budget, but they add up. Items that are discretionary in nature include entertainment, dining out, gifts, clothing, cable television, cell phone charges, etc. By budgeting, you'll start to identify expenses that don't justify the amount you're spending, giving you the ability to reduce or eliminate the identified expenses — which serves to free up dollars for other priorities.

Determine your financial net worth:

- A result of budgeting is that at the end of the month, you'll either have money left over to save and invest or you'll have a shortage, which usually shows up on a growing credit card balance. This all has an impact on your overall financial net worth.
- Your financial net worth includes the value of what you own, such as the value of your home, your vehicles, your savings and investments. From the value of your investments, you subtract the value of your debts. These include your mortgage, student, credit card and vehicle debts, and all other debts you have. The result is your financial net worth.
- Determine your financial net worth after preparing your first monthly budget. Then revisit your net worth statement one year later to determine the progress you've made in building your financial net worth.

The information in this document is intended only as an educational tool and for general informational purposes. It is not intended to, nor shall it, constitute specific financial advice or services. You should seek the advice of your own financial consultant or other expert consultants regarding your individual financial wellness condition and what steps could possibly be taken to improve it.

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Topic: Appreciation Meditation

Wednesday, June 5, 2019

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