



## Create a budget – who, me?

It's always disappointing to discover your income doesn't seem to cover your expenses. You may not want to admit it to yourself, because it could mean you'll have to batten down the hatches and curb that latte habit. But in the long run, it's the wise thing to do.

Creating a budget can be a revealing exercise when you want to find out where your money is going.

To make one, start by writing down everything you spend money on during a typical month. You may wish to group your expenses into different categories. Here are some suggestions:

- Food and shelter — including rent or mortgage payments, all utilities, groceries and restaurant meals
- Transportation — meaning car payments, car insurance, gas, repairs, or the cost of public transportation

- Loan payments — on student loans, credit cards, your line of credit
- Personal expenses — like haircuts, books, CDs and sports equipment
- Various — a category for all the items that don't fit elsewhere, such as subscriptions, vacations and entertainment

"The mistake I see most often is that people forget to allow room in their calculations for irregular or sudden expenses," says Marc Lamontagne, a certified financial planner with Ryan Lamontagne Inc. in Ottawa.

"Things come up like car repairs, home repairs, vacations. You have to plan on those things happening, add up what they cost every year, and break it down on a monthly basis."





## DRUM ROLL PLEASE...

Once you've written all of this down, a few simple steps remain:

1. Add up the numbers to see what you spend every month, and write that number down
2. Write down your monthly *net* (after tax) income
3. Calculate the difference

If your income is greater than your expenses, congratulations – now you can increase the amount you contribute to your RRSP or emergency fund every month without feeling pinched. If your expenses exceed your income, you need to look at ways to cut them back.

Lamontagne suggests prioritizing. "Look at what you've written down and ask yourself: is that making my life better? Maybe eating out every day rather than brown-bagging it is important to you. But if it isn't, that might be an opportunity to cut back."

Whatever you do, it's important to include a "saving and investing" category in your budget, says Lamontagne.

"You're working to build wealth so that some day you can stop working. That's not going to happen if you don't plan for it."

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