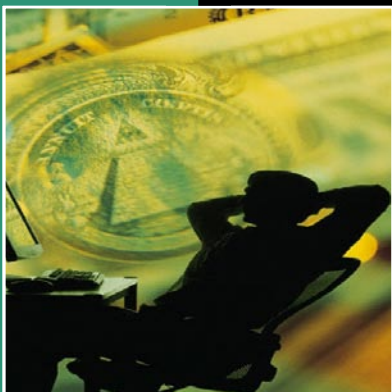


BUDGETING MADE EASY: WHAT YOU NEED TO KNOW



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Consolidated Credit Counseling Services, Inc.
A nonprofit educational credit counseling
and debt management organization.

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Congratulations on taking this important step to a brighter financial future. Consolidated Credit Counseling Services, Inc. has been helping Americans across the country solve their credit and debt problems for more than a decade.

Our Educational Team has created over twenty publications to help you improve your personal finances. By logging on to www.ConsolidatedCredit.org you can access all of our publications free of charge. We have the tools to help you become debt free, use your money wisely, plan for the future, and build wealth. The topics Consolidated Credit addresses range from identity theft and building a better credit rating to how to buy a home and pay for college. On our web site you will also find interactive credit courses, a "Best of the Web" debt calculator, a personalized budgeting tool, and much more.

We are dedicated to personal financial literacy and providing a debt-free life for Americans. If you are overburden by high interest rate credit card debt then I invite you to speak with one of our certified counselors free of charge by calling 1-800-210-3481 for free professional advice. We also have partnership programs available where groups, businesses and communities can hold financial workshops and received free money management guides and workbooks like the one you are reading now. Please call 1-800-210-3481 if you would like to discuss pursuing a personal financial literacy program.

Sincerely,

Gary Herman

President

Consolidated Credit Counseling Services, Inc.

Budgeting Can Be Easy

Learn how to successfully manage your money and avoid credit problems. This guide will give you money management techniques that can put you in control of your money and help you to plan for a successful financial future.

We've created this guide with two purposes in mind:

- To help you create a successful budget and use it.
- To give you proven strategies for avoiding too much debt.

Making the most of your money can be tough, but without a budget, it is tougher.

Budgeting can be easy if you are given the right tools and guidelines. Remember, now's a great time to learn how to create and live within a budget. The more you put off the budgeting process the longer you will be in financial chaos. If you don't learn to manage your money now, the headaches your debts create may stay with you for a long time.

At Consolidated Credit Counseling Services Inc. we help many individuals and families who are in debt. We want to help you avoid problems and become financially successful.

Credit Card “Come-On’s”

As a freshman in college all the different credit card companies that were soliciting their cards lured me in. At first I figured one credit card was good enough for me. I didn’t have a real full-time job but I made a few dollars working as a tour guide.

The offers just kept coming in. Before I knew it I had at least 6 cards under my belt and a burden of debt on my shoulders. Now as a mother of a one-and-a-half year old, my student debt has affected me greatly.

I’m unable to get a decent apartment or rent a house because of my credit. I’m unable to get loans. The harassment, threats of lawsuits, constant letters/statements etc. really take a toll on one’s life. If I could change the past I would.

Currently I still have student debt and it will take me years to pay it off because of all my other obligations. I hope I can help someone else with my story because getting yourself into a whole lot of credit card debt is just not worth the headaches and rejection.

*Now she is a Consolidated Credit Counseling client
and on her way to being debt free.*

Managing Debt

You can't achieve financial freedom without budgeting. Why? Because people who can account for their money are in control of it. You can't run a business successfully without a business plan. And you can't successfully run your household without a budget.

Start this process by writing down your fixed monthly expenses like rent, car payments, and insurance. Then make a list of your flexible expenses like groceries, utilities, gasoline, and medical expenses. Finally, list discretionary expenses such as clothes, entertainment, etc. Make sure you don't leave anything out; don't forget your morning cup of coffee or your newspaper! The key is to include everything you spend money on. Look back over your check stubs or bank statement to see where you've been spending money.

Use these suggested percentages for spending and see how your spending compares.

Savings	10%
Housing	25%
Transportation	15%
Utilities	10%
Food	10%
Clothing	5%
Medical/Health	10%
Personal	5%
Entertainment	5%
Debts	5%

Tips for Smart Credit Use

- Shop around for the best credit card interest rate.
Consider using one card for balances that you'll pay in full and another card with a low interest rate for times when you need to carry a balance. A list of credit cards is available at www.cardtrak.com.
- Don't pay interest on items you don't really need, or for things that will be gone by the time you get your bill. Otherwise, it's like buying that item marked up instead of marked down!
- Read your credit card agreements and the correspondence you get from issuers. There may be important information in them. For example, credit card issuers can generally change your interest rate with only 15 days written notice – even on a card with a fixed rate.
- Always mail your payments for your credit cards at least 5 business days before the due date. Most credit card companies have steep late payment penalties. Also, your interest rate on new purchases as well as any current balance may be raised to a very high rate if you are late.
- If you pay your debts late, a late payment will likely to be reported to the major credit bureaus and will stay on your credit report for seven years. Your other credit card issuers may raise your interest rates if they see you are falling behind on other accounts.

- Call your issuers if you can't make a monthly payment on time. Ask them about alternative payment arrangements that won't damage your credit or raise your interest rate.
- Notify your credit card issuer 30 days before you move, and don't assume that just because you didn't get a bill you don't have to pay it. If a bill doesn't arrive, call your card issuer or lender immediately.
- Try to pay off your total balance each month. Just paying the minimum is a trap. For example, if you pay-off a \$1,000 debt on a card with an 18% interest rate, it will take you more than 12 years to repay.
- Aim to keep your debt payments at less than 10% of your income after taxes. If you take home \$750 a month, spend no more than \$75 a month on credit.

The key to managing credit is to not to get trapped in the mindset of "I'll buy now and pay later." When you do borrow, you want to ask yourself how and when you'll repay the debt - and how much it will cost you. On the next page is a Borrowing Worksheet that we have created. Use this to keep track of your debt and create a repayment schedule.

** Use the Debt Calculator at www.ConsolidatedCredit.org to figure out how much money you are spending on interest.*

Borrowing Worksheet

On this worksheet list your current loans or the loans that you are thinking about taking out. Calculate the cost of the expected loan payments before you borrow and compare it to your income and outstanding obligations.

Creditor Name	Interest Rate	Amount Owed	Monthly Payments	Loan Length	Cost of Interest
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$

Totals Average Interest % _____

Total Amount \$ _____

Total Monthly Cost \$ _____

Total Time to Payoff _____

Total Spent on Interest \$ _____

INCOME

The first step of creating your budget is to list all sources of monthly income, including gifts, bonuses, tax refunds, cost of living increases, allowances, etc. To tally your income, use the following Income Worksheet.

Income Sources	Weekly/Bi-Weekly Income	MonthlyIncome
Your Wages	\$	\$
Spouse's Wages	\$	\$
Part-Time Wages	\$	\$
Child Support	\$	\$
Alimony	\$	\$
Social Security Benefits	\$	\$
Veteran's Benefits	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Total	\$	\$

TIP: Pay yourself first. Set up a savings account and transfer 5% of your income the account and try to forget about it. The extra money will come in handy when you need it!

EXPENSES

The next step is to list your expenses. Expenses are separated into three categories: “fixed”, “flexible”, and “discretionary”.

Credit card debt is considered a fixed expense because it usually remains the same each month. Use the following form to list your monthly credit card debt. List all major credit cards, department store credit cards, gas credit cards and dining cards. When you are finished, total up the amount and transfer it to the appropriate column on the fixed expense worksheet on the next page.

Credit Card Debt Worksheet

Creditor Name	Interest Rate	Balance Owed	Monthly Payment
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$

Totals Average interest of all cards: _____ %

Total Owed: \$ _____

Monthly Payments: \$ _____

Use this sheet to list your Fixed Expenses. These items cost the same each month, i.e. rent, loans, car payments, etc.

Fixed Expenses Worksheet

Monthly Expenses	Current Payments
Mortgage/Rent	\$
Real Estate Taxes	\$
Homeowners Insurance	\$
Car Loans/Lease Payments	\$
Car Insurance	\$
Student Loans	\$
Alimony/Child Support	\$
Medical Insurance	\$
Credit Card Debt (totalled from the credit card worksheet)	\$
Other	\$
Other	\$
Other	\$
Other	\$
<i>Total</i>	\$

The next step is to list your Flexible Expenses. These expenses are ones where you control the amount of money you spend. Sometimes flexible expenses are items you need, like groceries, but you can control how much you spend on them by choosing less expensive items, shopping at discount stores, etc. Depending on your circumstances, a few of the items listed below may fall into the Fixed Expenses category.

Flexible Expenses Worksheet

Monthly Expenses	Current Payment	Adjusted to Balance Income
Telephone Bill	\$	\$
Electric/Gas/Oil/ Fuel Bill	\$	\$
Cable Television Bill	\$	\$
Groceries	\$	\$
Household Supplies	\$	\$
School Supplies	\$	\$
Clothes	\$	\$
Dry Cleaning/Laundry	\$	\$
Savings (5% is your starting goal)	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Total	\$	\$



The next step is to list all of the other expenses not listed in the previous categories. We call these Discretionary Expenses. They are items that are not necessary for survival. If your expense to income ratio is out of balance and you are spending more money than you earn, items from this category should be eliminated or cut back.

Discretionary Expenses Worksheet

Monthly Expenses	Current Payment	Adjusted to Balance Income
Recreation	\$	\$
Movies/Plays	\$	\$
Dining Out	\$	\$
Sporting Events	\$	\$
Magazines/Newspapers	\$	\$
Barber/Beauty Salon	\$	\$
Hobbies	\$	\$
Fund-Raisers/Dues	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Total	\$	\$

Where Do You Stand...

Now that you have compiled your income and expenses it is time to do the grand totals! All expenses are totaled and then subtracted from the total income figure for the month.

Next, divide total expenses by the frequency of income or the number of paychecks the household receives each month. This will tell you how much money to set aside each paycheck. If the expense total is greater than the income total, you are off track financially.

You must begin to prioritize expenses. Keep track of when you use credit cards. Then ask yourself if you want to borrow every month for these expenses. Each month, enough savings should be set aside to cover fixed and some flexible expenses. This reserve method will save you from living paycheck to paycheck. Review the spending-plan each income period to start. At the end of each month, compare actual expenses against what you budgeted. As time passes, you may want to only perform this comparison on a quarterly basis.

** If you are headed for a debt disaster visit www.ConsolidatedCredit.org or call 1-800-210-3481 for free professional advice by a certified counselor.*

End of the Month Budget Analyzer

After the second month of using your budget, utilize this sheet to compare what you actually spent and the amount you budgeted. This will give you a clear picture of how realistic the amounts you budgeted are for each item and will allow you to be more accurate when doing your next monthly budget. Make enough copies so you can try this exercise each month until the end of the year.

Expenses	Budgeted	Actual
Mortgage/Rent		
Electricity/Gas/Oil		
Telephone		
Car Payment		
Insurance		
Gas		
Parking/Tolls		
Bus/Train		
Groceries		
Supplies		
Self Care		
Toiletries		
Clothing/Accessories		
Dry Cleaning		
Medical/ Dental		
Spiritual/Tithing		
Therapy/ Financial Counseling		
Pets		
Movies		
Video Rentals		
Concerts/Sporting Events		
Dining Out/Take Out		
Savings/Emergency Fund		
Stock/Mutual Funds		
Gifts		
Periodicals/Magazines		
Dues/Donations		
Total		

One Family's Story

We were the typical family living paycheck to paycheck, no savings and plenty of month left after the money ran out. Paying bills was a nightmare, and going to the store was even worse. Money was in short supply and long on demand.

We use to go into a panic and blame each other if something unexpected happened, but now we have a little extra for those emergencies because we now know how to live on a budget.

With Consolidated Credit's help, being able to pay all of our bills on time became a reality! Actually being able to make a deposit into our savings account became a routine! The biggest thrill is seeing the credit card balances go down and knowing there is light at the end of the tunnel. Knowing that in a few years these huge debts that loomed over our heads like rain clouds would disperse and that we would be on our way to financial independence was wonderful.

However, the most important thing Consolidated has given us is our self-respect and pride back. Life becomes less stressful and you can enjoy your children and participate in their lives instead of worrying about money and always telling them "No we can't afford it." So in essence Consolidated Credit's Debt Management Program also allowed our kids to have good childhood memories.

Credit Tips To Live By

1. Always remember that credit is a loan. It's real money that you must repay.
2. Go slowly. Get one card with a low limit and use it responsibly before you even consider getting another.
3. Shop around for the best deal. Study your card agreement closely, and always read the fine print flyers enclosed with every bill. Credit card offers vary substantially, and the issuer usually can change the terms at will with 15 days notice.
4. Try to pay off your total balance each month. Just paying the minimum is a trap: If you pay off a \$1,000 debt on an 18 percent card by just sending in the minimum each month, it will take more than 12 years to repay.
5. Always pay on time. A single slip-up will place a black mark on your credit record -- and likely will cause your issuer to jack up your interest rate to the maximum.
6. Set a budget, follow it faithfully and watch how much you're paying on credit. A good rule of thumb is to keep your debt payments less than 15 percent of your net income after taxes. So if you take home \$2,000 a month, spend no more than \$300 a month on credit.
7. Keep in touch with your issuer by notifying the company promptly when you move. In the event you must be late on a payment, call them before it's late. They want your business for life, so they may be willing to make alternate payment arrangements that won't leave a mark on your credit rating.
8. At the first sign of credit danger, such as using one card to pay off another, make the card harder to use. Only carry it when you plan to use it or lock it up in an inaccessible place.

One Move Can Make All The Difference

My husband Anthony, our three kids and I set out to fulfill a dream, to move to sunny Florida. We had visited many times while still living in Kentucky. We loved the weather and the people, but most of all we came for the opportunities that Orlando could offer our children.

In Kentucky, Anthony worked at a power plant making a good salary. I could be a stay-at-home mom and still live comfortably. When we moved, he went from making \$21 an hour to \$7 an hour. Our house payment went from \$307 monthly to \$800 a month. The cost of living was more than we anticipated and his salary was less than we expected. I had to go to work to help ends meet.

It took five years for the salary to finally catch up to what Anthony was making before we left Kentucky. In those five years we literally lived off of credit cards. We had excellent credit so we had lots of opportunities to get more credit, and we took advantage, \$45,000 worth of “advantage”.

We finally came to the realization that if we didn't do something we would never get out of debt. We absolutely refused to take out a loan. We are firm believers that you could not borrow your way out of debt. Then we found out about Debt Management through Consolidated.



That was two years ago. Wow! Wow! What more can you say when you look at the balances on your credit cards getting considerably lower each month. We had a mortgage rate of 9.35% (because we were considered high risk) and Consolidated has helped us get one for 6.5%. We were treated with dignity

consideration and professionalism. I am so thankful for Consolidated. There are many different reasons why people find themselves in debt, and with so many debt reduction companies promising so many different things it is hard to know whom to trust. We trust Consolidated, not because we are naturally trusting people but because Consolidated has earned that trust, month after month, year after year.

**For a Free Consultation with
a Certified Credit Counselor
call 1-800-210-3481
or visit
www.consolidatedcredit.org**

About Consolidated Credit Counseling Services, Inc.

Consolidated Credit Counseling Services, Inc. is a consumer oriented, nonprofit, tax exempt, public education organization. We are an industry leader in providing credit counseling and debt management services throughout the United States.

Our mission is to assist individuals and families end financial crises and help them solve money management problems through education, motivation, and professional counseling.

We are dedicated to empowering consumers through educational programs that will influence them to refrain from overspending and abusing credit cards, as well as to encourage them to save and invest. We sponsor local free seminars that are also available to any group or organization that requests our educational services.

Our professionally trained counselors have assisted thousands of families across the United States. Regardless of whether your financial problems are due to the purchase of a new home, birth of a child, major illness, or any other circumstance, we can help.

Our organization is funded primarily through voluntary contributions from participating creditors. Our programs are designed to save our clients money and liquidate debts at an excellent rate.

Consolidated Credit Counseling Services, Inc. is a member of the Better Business Bureau, the United States Chamber of Commerce, the Greater Fort Lauderdale Chamber of Commerce, the Association of Independent Consumer Credit Counseling Agencies, and the International Credit Association.

About the author

*Gerri Detweiler is Consolidated's educational director. She has written numerous books including *The Ultimate Credit Handbook*, which was featured in *Money* magazine as one of the five best new personal finance books of the year when released. Gerri has been quoted in thousands of publications including *The New York Times* and *The Wall Street Journal*. She co-hosted an award-winning syndicated financial radio program, and has been a guest on *The Today Show*, *Dateline NBC*, the *CBS Evening News*, and *CNN*. Gerri has testified before Congress and lobbied on behalf of consumers protection measures. She is the former executive director of *Bankcard Holders of America*, as well as a policy director for the *National Council of Individual Investors*. She has also served on the *Board of Directors* for the *National Coalition for Consumer Education* as well as *Experian's Consumer Advisory Council*.*



