

Budgeting Tips for Young Families

by Ellen C. Braun

A lot of young families have it tough. Newlyweds are learning how to live together, starting careers, buying houses, paying bills, having kids: it's exhausting and it's expensive.

New parents get a crash course in budgeting as soon as kiddo #1 comes along, be it for weekly things like food and bills, big items like a college fund, or necessary extras like paying for nursery school or a babysitter. It's about pinching pennies, finding shortcuts, and spending and saving the smartest way possible.

Some families live that way forever; others look back years down the road and wonder how they ever managed on such a small income.

Finances are stressful: there's no way around it. Your job is to not let the demons of debt and paper cuts from coupons take away from any of the wonderful parts of starting a family.



Find Your Way to Budget and Save

Sorry – there is no secret method to perfect finances. Every family will do things a little bit differently. However, every budget plan has a similar format: taking a total income, subtracting the necessary expenses (for bills, food, mortgage, et cetera), then setting aside funds for important events (like health care and college), and finally putting the rest toward family savings or fun extras (like a night out or a family vacation).

The key is to make sure you aren't cutting into the money for necessary expenses and savings by spending too much on the fun extras: that's when debt rolls in.

Scrimping Secrets

There are a few tried and true methods of stretching a small income over a growing number of family members.

- Having trouble monitoring your spending? Take out a set amount of cash for one week, and only use that cash to purchase items. Can you make it through all seven days? What items do you buy that aren't necessary purchases?
- Plan a stay-cation. Spend time bonding with your family without busting your budget: consider going camping within driving distance from home, or going on day trips to local attractions.
- Spearhead a local carpool system with other parents to daycare, to work – even to the grocery store. Not only will you cultivate relationships with other families, you'll save on gas money!
- Pack a lunch for yourself, your partner, and your kids instead of buying one. Even cheap fast food menus will cut into your budget more than homemade food.
- Speaking of food, embrace the power of the coupon! Turn coupon cutting into a fun family game: whoever finds the best deal gets the biggest slice of dessert.
- Learn new skills, like changing your own oil or giving haircuts. The extra dollars saved can go toward savings or a luxurious splurge.

Give Yourself a Break

You'll rarely find a young family with perfect expenses. Learning how to budget, spend, and save is something you develop and grow into. Set goals for yourself and your family. When you reach those goals, treat your family to something special. Small rewards make budgeting less of a drag and more of a challenging game.

Learn the 7 Money Essentials

1 Spend less than you earn

How much do you really have coming in? It's amazing how many of us overlook this first, basic step to getting a clear idea of our financial picture.

- Get money in bank.
- Calculate your after-tax income.
- Know how much you need to cover the basics.

2 Rule your work life

What's the point of a nice, shiny facade if under the surface you're drowning in debt? A high-end lifestyle comes with a price - Finding a career to support it.

- Focus your career choices on matching your income to your lifestyle.
- Get the most from your paycheck.
- Think about non-financial benefits.
- Join useful career networks and look for new opportunities.

3 Have an emergency fund

Life is unpredictable, but your finances shouldn't be.

If you plan ahead and always have a little set aside, you can protect yourself from harm.

- Plan ahead and prepare.
- Set the right amount for your emergency fund.
- Automate your emergency savings.

4 Save at least 10%

It's hard to stop and think about retirement saving when bills keep piling up.

But the younger you start, the richer you'll be.

- Learn why waiting is a huge waste of time.
- Choose a place to save and automate your transfers.
- Enroll in your employer's retirement plan or open an individual retirement account

5 Limit your debt

Debt. It's kind of like mold or pests. Once it invades your life and starts thriving, it's hard to remove. The trick is to avoid it in the first place.

- If you're in debt, start paying it off.
- Understand "good" and "bad" debt and how they work.
- Zero your credit card balance each month
- Check your credit report every year

6 Invest, don't gamble

The cost of living increases every day. But there's one way you can make your money beat inflation and grow at a faster rate — invest.

- Learn your options.
- Set an investment timeline and pick investment that much.
- Minimize your investment costs.
- Start with index mutual funds.
- Automate everything and check in at least once a year.

7 Protect yourself

There's nothing so comfy as knowing you're safely covered when something goes wrong. But comfy doesn't always mean secure.

- Always have health insurance.
- Shop around and match coverage to your personal needs.
- Buy life insurance if any one depends on your income.
- Get your legal documents in order.
- Prevent identity theft and fraud.



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