



Get Better Understanding

To Credit Card or Not to Credit Card

Every day it seems there are credit card offers, bills and ads in the mail. It is easy to get your income and outflow out of whack. If your credit card balances have gotten out of control, there are some steps you can take to get them back in order.

The first step and maybe the hardest for some would be to gather up all the bills and income information. Sit down and make a list of all the bills due each month. Remember to add the items you may pay on a yearly basis as well. Then list all the areas you have income. This is your starting point. This is where you are right now. It does not mean you have to stay here. But you cannot effectively plan on how to get someplace else if you do not know where you are.

It is what it is!

Now you can put your bills in order. Make a list of each bill, the interest and minimum balance due. There are two schools of thought on paying down credit card debt.

One is to pay the minimum balance on each card and pay more on the card with the smallest amount first. When that card is paid off, then roll the amount into the payment of the next card with the smallest amount.

The other way that is common is to divide the amount owed by the minimum payment to get how many months it will take to pay each card off. Then like above, pay the minimum on all the cards but the one with the shortest time to pay off. When that card is paid, roll the amount to the next card with the shortest time.

When planning your budget, do not put all your money into your bills. Each month you want to set a portion aside into savings. This builds up a cushion that prevents unexpected events to put you further into debt. Two great resources are www.crown.org and David Bach's Finish Rich series of books.

The Freedom of a Budget

Before I lived on a budget, I worried about what I was spending on necessities like shoes for the kids. It seemed they all needed shoes at the same time. I would tell them they could have a pair of shoes for under X amount of money. But I didn't really know if I had that amount to spend. Things always seemed to work out. But I spent a lot of time worrying.

When I decided to use a budget I went to www.crown.org to determine the category and amount for the budget. I set up a spreadsheet in excel. If you want to, you could use a ledger. Each category had a tab and then I had a tab for the totals. I liked using this budget because the necessities were divided up and I could see how much I had in each area. So when I would take the kids shopping, I knew I had set aside X amount of money and even if we spent a couple of hundred dollars on clothes getting ready for the school year, I knew it was in the budget and I'd have enough money to pay for other things as well.

Another thing I like about this budget is the category for debt and entertainment. It doesn't make you give up entertainment if you have debt to budget for. If you don't have debt to pay off, you can roll it into entertainment.

The entertainment budget allowed me to give the kids more choices. I like going to the dollar movie. The kids like getting popcorn and drinks. They also like to go to some movies opening weekend. I was able to tell them, they had a choice. It cost the same amount of money to go to the dollar movie and get snacks as it does for going to a first run movie without the snacks. I let them pick which movies to see early and which to see with snacks.

With a budget there is the same income, same expenditures, more choices and fewer worries.

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