

The art of budgeting

Do you ever feel that you're not in control of your finances? As simple as it may seem, itemizing your expenses and sources of income will give you a clearer picture of where you stand, and help you plan for the short and medium term. For example, it's a good idea to make a budget if you want to pay off your loans quickly or save up for a project. Here are some tips to help you determine your spending habits and make financial decisions that are in line with your goals.

Step 1: Brainstorm

Write down all of your monthly fixed expenses (rent, car payments, courses, etc.). Go through your bank account and credit card statements. Even if the amount isn't always the same, try not to underestimate.

Next, make a list of all your sources of income. Try not to overestimate by anticipating a bonus or raise. Stick to the facts.

Step 2: Itemize your expenses

Using recent receipts, add variable expenses (entertainment, clothes, food, etc.) to your list. If you don't have any receipts, make a rough estimate.

Next, break down your expenses in a table by type (car, home, food, etc.). Don't forget to add a column for any unforeseen expenses.

Step 3: Crunch the numbers

Total your expenses by type. There are a number of electronic tools available on the National Bank Web site to help you (www.nbc.ca).

Now compare your expenses to your sources of income.

Step 4: Look at the big picture

Now that you have an overall picture of your finances, you need to make choices in order to reach your goals. How much do you want – and can you afford – to save for a project? Over what period do you want to – and can you – spread out your loan payments? The answers to these questions will mean changing your spending habits. However, setting priorities is not the end of the process: you have to keep your budget up to date. Take a few minutes each week to fine-tune it to make sure your goals are still realistic.

Step 5: Plan

Once you've completed these steps, you should meet with your advisor, who can help you determine how to reach your goals and respect your investor and borrower profiles.

Summary

Here are the five steps to budgeting:

1. **Brainstorm:** Write down all your regular monthly expenses using your bank account and credit card statements, and determine all of your sources of income.
2. **Itemize your expenses:** Build on step 1 by determining your variable expenses. In a table, break down expenses by type.
3. **Crunch the numbers:** Add up all of your expenses and compare them to your sources of income.
4. **Look at the big picture:** Make choices based on your projects.
5. **Plan:** Meet with your advisor for assistance.