

# Budgeting for Financial Success

Without a plan for financial success, it is difficult to know which decisions are the right ones to make. Creating and sticking to a budget provides you a clearer financial picture and gives you a better sense of control over your money.

To create a budget that works, follow one simple rule: Don't spend more than you earn. Some kinds of debt, such as a home mortgage loan, are unavoidable. These debts are managed through monthly payments over a set period. What you want to avoid is the kind of debt that keeps you from realizing your long-term financial dreams. For that you need a budget.

## Getting Started

To get started on your budget, you will need your pay slips, bank and investment statements, bills and credit card statements, receipts, paper and a pen. Begin by estimating monthly income and expenses to get an accurate sense of how much you are earning and how much you are spending. Here are the steps involved:

- Estimate your take-home pay by looking at the net (after-tax) amount on your pay slips. Bank statements may also be useful to measure such non-wage income as interest, dividends, etc.
- Calculate your expenditures. Include all your typical expenses, such as mortgage payments, car loans, transportation costs, utilities, child and elderly care, food and clothing, education, medical bills, car repairs, retirement savings, religious contributions, entertainment purchases and miscellaneous expenses.
- Subtract all expenditures from revenues. If you have a surplus, aim to save as much of it as possible. If you have a deficit, you need to cut expenditures. Experts recommend setting a goal of saving at least 10 percent of your earnings and having at least three months' income set aside for emergencies.

## Tips for Living Within Your Budget

- Focus on savings versus spending. Rethink your priorities.
- Evaluate your expenditures by listing them in order of priority and determine which purchases can be eliminated or reduced. Rethink big-ticket items unless you are absolutely sure they are necessary.
- Document every transaction. Create a system to file and organize your revenues and expenditures. File all receipts and bills as you process them and keep your financial records up to date.
- Computerize your efforts. Consider buying a financial management program to help you balance your accounts.
- Monitor your budget on a monthly or weekly basis to ensure you are on track and to keep you motivated.
- Pay off your credit card balance each month. When using credit cards, make an entry in your financial records for each individual charge the day the charge is made. This will prevent charge card bills from catching you without adequate cash in your bank account to cover them.
- Confide in your partner, and have your partner follow these procedures as well. Once you have created a budget to properly deal with your financial situation, you will enjoy greater peace of mind knowing exactly how you have spent your money.

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# Setting Financial Goals

Having a road map for the future is the key to success, especially when it comes to finances. Goals provide focus as well as a tool to measure progress. They enhance productivity, bolster self-esteem and increase commitment, making you more likely to achieve what you set out to do.

## Your Goal in Setting Goals

- Writing your goals down prevents vague motivations and holds you to your task. What are you saving for: A car, a home, a vacation? When making your list, be specific, have measurable outcomes and specify completion dates.
- Make a list of obstacles that might stand in your way—emergency car repair, or an unexpected bill, for instance—then decide what you can do about each obstacle.
- List the benefits of achieving your goals: Be specific about what you expect to gain.
- Break your goals down into sub-goals, such as increasing savings by \$100 a month, to help mark your progress. Make sure each step is challenging but achievable.
- Set yourself up for success by being prepared and organized to achieve your plans. Create a budget and stick to it.

- Expect slipups and give yourself alternative strategies for success. Plan these strategies in advance so no spot decisions are required.

Don't forget to chart your progress. Seeing incremental improvements can boost motivation and help you make changes needed to continue your success.

## Practice Makes Perfect

The more steps you take toward accomplishing your goals, the easier it gets. Like muscles, will power and motivation get stronger with use. Just remember that everyone faces hardships. Don't let yours stand in the way of your goals.

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# Building your Credit

Modern societies are based on credit. Business loans, credit cards, home mortgages and other kinds of financing arrangements allow us to purchase goods and services that cost more than we have readily available in cash.

## Building a Credit Record

One method of obtaining a first-time loan is to establish a savings account with a bank in your area. Ask the bank to extend to you a loan using your own savings account as collateral.

Credit cards are another option for building a credit history. It can be hard to get approved for your first credit card, but many companies offer cards with higher interest rates for those who need to establish credit. If you secure such a card, pay off the entire outstanding balance each month to avoid any finance charges.

Another way to establish credit is by applying for a gasoline credit card or a card issued by a department store. They have more lenient credit policies.

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# Tax Prep 2023

Filing a federal tax return can be a tedious and time-consuming task, so it's never too early to start preparing. Keep in mind: The deadline for filing individual returns for the 2022 tax year is April 18, 2023. Here are some tips on filing:

**Get started now.** Organize receipts, paycheck stubs, financial records, mortgage statements and other important documents, and try to estimate how much you will owe or be refunded. You want to schedule enough time to complete your return and avoid the filing deadline rush.

**Educate yourself.** Learn about the latest tax laws so you can take advantage of as many deductions, exemptions and credits as possible. Visit the IRS website at [irs.gov](https://www.irs.gov) or call the IRS toll-free at **800.829.1040** for help. Consider hiring a CPA, financial planner or tax attorney for a complex return.

**Understand your payment options.** There are alternatives if you cannot immediately pay the taxes you owe. Installment agreements can be applied for at [irs.gov](https://www.irs.gov), and there are a number of options for charging the balance on a credit card. The IRS won't tack on a fee for credit card payments, but the processing companies will charge a convenience fee.

**If you can't file on time.** You can submit IRS Form 4868: Application for Automatic Extension of Time to File U.S. Individual Income Tax Return and receive an automatic six-month extension to postpone your filing date. This pushes back the due date for the paperwork. It doesn't give you more time to pay any taxes due, so you will owe interest on any amount not paid by the May 17 deadline, plus a late payment penalty if you have not paid at least 90 percent of your total tax by that date.

Remember, your GuidanceResources® program has teamed up with TurboTax to offer a discount of up to \$15 on its best-selling tax software. To get started, go to [TurboTax.com/affiliate/compsychb](https://turbotax.com/affiliate/compsychb).

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