

## **Budgeting Tips**

*Provided by Beth Blanco, AFC Budgeting Counselor, University of Michigan Credit Union*

### **Create a Budget Analysis.**

Financial health starts with understanding where your money goes.

- Make a list of your average expenses. Be sure to include estimated amounts for home and care repair, travel, gifts and other expenses that occasionally occur. If it's easier to think in terms of annual expenses for less-frequent expenditures, divide them by 12 to get a rough idea of how much you need to pull from your monthly budget to save for these items.
- Make a list of your debt, including balances and payments. Order the list from debts at highest interest rates to lowest interest rates.
- List your monthly net income, which is your income after taxes have been deducted. Is it enough to cover your expenses?
  - If so, you're all set.
  - If not, think about your options: What can you trim from your list of expenses? Are there ways you can add to your income?

### **Pay Yourself First.**

It's important to save. It's easy to let money slip away if it isn't designated for a specific purpose. To prevent that from happening, follow these steps:

- Write down your monthly net income, which is your pay after taxes.
- Subtract your monthly bills and expenses from this amount.
- Take the amount left over and divide by four. This is your weekly allowance. Pay yourself this amount by putting it in a separate account or pulling out some cash. By treating this allowance separately, you can plan better for a rainy day or an occasional indulgence.

### **Set Up a Payment Plan for Medical Bills.**

Do not pay off medical expenses with a credit card. The University of Michigan Health System can work with you to set up an interest-free payment plan. You may also qualify for other available financial resources. By using a credit card, you may not only pay higher interest, but also give up access to hospital resources that may be available to you.

### **Create a Pre-Tax Health Savings Account.**

Your employer probably participates in a Flexible Spending Account, or a Health Reimbursement Account. These accounts allow your employer to deduct a set amount from your paycheck each month, which you can then use for medical expenses. This deduction is taken out before your taxes are figured, which saves you money on taxes. Estimate your medical expenses, and request that amount be deducted from your paycheck. Be careful, though: It is a "use it or lose it" system. Any funds not used for medical expenses within the allotted timeframe will be retained by your employer.

### **Get the Biggest Bang for Your Buck.**

To pay off debt quickly and save on interest, check out [www.powerpay.org](http://www.powerpay.org). This free, debt reduction program will show you how and when to apply payments in a way that will help you pay down your debt faster. Once you create a user name and password, you will be able to enter in all of your debts, including payments and interest rates. The site will calculate how much time and money you can save by following a formulated payment plan. Be sure to print out Powerpay's helpful calendar to help stay on track.

**Comment:** The original said "debt acceleration," which just sounds like you're accumulating debt, which I'm sure is not the point! 😊

### **Don't Go It Alone.**

If you are in serious financial trouble, seek help. Check with your bank or credit union to see if they have an accredited financial counselor on staff or contact a non-profit, accredited agency, such as GreenPath Debt Solutions. The key is to seek out a *non-profit, accredited* agency.