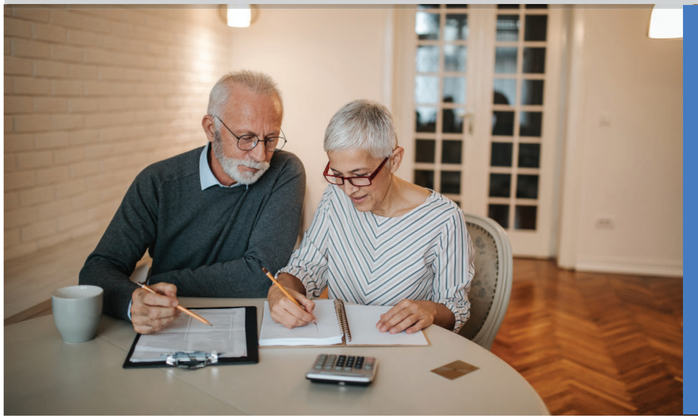

How to Develop a **Financial Plan**

October is Financial Planning Month

From the American Bankers Association®

October is Financial Planning Month. While good financial planning is important **every** month of the year, having a designated month is a good reminder to make sure you're consistently working toward your financial goals.

The key to a good budget is including as much information as you can, so that you can adequately prepare and plan. It's important to keep accurate records of your spending so you'll spot places where you can save money and know how much you can reasonably spend.

Here are some tips on creating a budget, from the American Bankers Association:

Determine your current income. The first step in creating a budget is to total all of your income, or money coming in. We recommend you do this on a monthly basis. Include only your take home pay (this is your salary minus taxes and deductions). Your income may also include tips, child support, investment income, etc.

Determine your monthly expenses. Next, you'll need to track your expenses, or money going out. Some of your bills will vary from month-to-month, so use a monthly average. For example, if your cell phone is $45 one month and $55 the next, estimate $50 per month. For annual bills, divide the yearly cost by 12 for a monthly figure.

Determine how much income should be spent. Rent or mortgage payments, plus your credit obligations should not exceed 35 to 40 percent of gross monthly income. The amount you owe on credit cards, monthly car payment, student loans and other monthly payments should not exceed 10 to 15 percent of your take-home pay.

Put it in writing. Document and categorize your expenses. Tally up everything you spend money on. Don't forget your daily coffee or snacks. Those can add up quickly!

Do the math. The last step in creating your budget is to total all of your expenses and subtract them from your total income.

How'd You Do?

If your income and expenses are **equal**, you might be living paycheck to paycheck. Cut expenses and develop a savings plan in case of emergencies or unexpected expenses.

If you have **money left** at the end of the month, you're doing a good job of managing your expenses! Make sure you're putting the leftover money away in a savings account or 401(k) so you have a cushion for emergencies or future expenses.

If your total was negative and you **don't have enough** money, you need to make adjustments. Keep in mind that it's usually easier to cut back on expenses than to increase your income. Analyze your budget to see where you can cut expenses. Call your utility, phone, cable and cell phone providers. There may be ways to cut those bills that just take a phone call. Consider increasing your income by getting a second part-time job or by working overtime.