



# EdFed

Federal Lender Code 834241

America's Top Student Loan Consolidator

175 South Lake Ave, Suite 200, Pasadena, California 91101

Tel: (800) 821.5659

Fax: (213) 895.7306

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## Money Management Basics, Part 3

### Even Millionaires Have a Budget

If you're operating without a normal monthly budget, that's a huge mistake. In fact, the lack of a budget is a big part of the reason that the average American now has nearly \$10,000 in consumer debt, most of which is personal credit card debt. Of course, many people have mortgages, auto loans, student loans, and other consumer debt. But it's possible that you can have tons of bills and still exist in a state of denial about your finances.

For a lot of people, budget is a four-letter word because they often picture a budget as something that restricts them – something that says: you can't have this, you can't buy that, or you can't do this. Well, that is the wrong way to look at a budget. A budget is really a part of your personal prosperity plan. It's the financial blueprint you'll use to help you get where you want to go in life. Without a budget – without a clear sense of exactly how many dollars are coming in the door and how many dollars are really going out each month – you're doomed to constantly live paycheck to paycheck.

A budget helps you manage your cash flow so that you can more readily achieve your personal and financial goals, including paying off those student loans. Unfortunately, statistics show that 65 percent of all people don't operate with a basic monthly budget. That's a real shame because a lack of a budget explains, in part, why so many people don't know where the money goes.

Have you ever been in a situation where you thought "Gosh! I just got paid last week and now I'm broke" or "I don't know what happened to my money; it seems to have vanished just as quickly as I got it"? The simplest way to identify and fix the problem is to come up with a realistic budget to operate from on a regular basis.

Believe it or not, even millionaires have budgets. And all of them agree that having a budget as the basis for your spending plan is a smart way to exercise control over your dollars – instead of letting your money control you.

No matter how you configure your budget, to have a proper, successful budget, you need only conform to two rules:

1. Your spending cannot exceed your income. Sounds basic, I know, but most people don't stick to this one little rule. In fact, the average household in the United States spends \$1.22 for every dollar that it earns, according to a study from Northwestern Mutual.

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2. Your budget must include a savings component. Without some level of savings worked into your budget, you'll always be behind the proverbial eight ball.

Maybe you're thinking, "I don't have any money, so why budget?" You still need to write out your expenses so you can understand how much you need to earn or whether you need to cut back on certain areas.