

Creating the Budget, Exercise 19, Supplemental Items (Chapters 1-2)

It is now time to add in the savings vehicles. These items are discretionary in terms of what you'd like to put away; however, it is mandatory that you have a Savings, Miscellaneous and Emergency Funds. Miscellaneous covers the unexpected items so be generous in how much you put away each month. (In time you can pare down the amount as you learn what needs to be paid for and also how much you have built up over time)

For Emergency fund plan to save 3-6 months. This is at your discretion as well; however, the Squad recommends that you shoot for six months. Keep in mind that in part two of the book we will get into purchasing a home; however, this may not apply to right now so it is important to build this fund along with the others over the next three years. This will allow you to also have goals for:

Periodic expenses

Monthly expenses are automatic every month; however, you need account for expenses that occur quarterly, biannually or yearly. Depending on the period of when the bill is due divide by the number of units to determine the monthly amount. For example, if you have a quarterly bill of \$39 for then \$13 needs to be put away each month. Samples of these expenses are below:

- DMV registration, plates, license etc.
- Trash and sewer service
- Music services
- Memberships
- Term life insurance
- Auto insurance
- Veterinary service

The 12-month cycle (Chapters 3-10)

Run the 12-month cycle for all of the bills that are not fixed amounts each month. We have went through these varying monthly expenses: child care, groceries, utilities etc. Make sure to add any expense that applies that we did not cover.

This can be a lengthy exercise because you have to plan for a year in advance; however this is one of the most important pieces to a successful budget because this will create consistency as a result of transforming the expenses due each month into fix amounts. Stay patient and perform this work on a consistently to achieve this goal. You should be able to complete these exercises within a week. You may have to set aside additional leisure time complete this.