Judy Lawrence is a Silicon Valley budget coach, counselor, and financial pioneer who was one of the first people to introduce budgeting concepts that showed how to plan for quarterly, annual, or other periodic expenses utilizing a workbook format.

Her book, *The Budget Kit: Common Cents Money Management Workbook*, was originally written in the 1980s for women suddenly widowed or divorced and thrust into the role of family financial manager for the first time in their lives.

The core forms from that first book are still in the *Budget Kit*, but the book is now in its fourth edition and it has sold over 400,000 copies.

Judy has appeared on CNBC, Style Network, and other programs where her down-to-earth style, books, coaching, and workshops have helped thousands of couples and individuals get out of debt, gain financial control, and have more peace of mind. You can find out more about Judy’s services on her Web site [www.moneytracker.com](http://www.moneytracker.com).

I'm very pleased to welcome Judy Lawrence to today's Wi$e Up call. Judy--

Judy Lawrence: Thank you, Kelly. I'm delighted to be a part of this program.
And I feel one of the best ways to begin talking about budgeting is to again say as Jane did that the first thing is to get over that resistance to the word and the concept of budgeting.

You know, when people think about a budget, they often first think of drudgery and deprivation. Yet if you ask anyone who started to manage the personal budget effectively, they’ll tell you that… how a budget was actually liberating. A well-planned budget will help you be able to spend money without guilt and save money with more ease.

And one of my favorite quotes is from a client who said, “I love my budget. It allows me to keep my addiction of buying CDs.” Well, the difference for him is that now he knows his dollar limit each month for his CDs, which is still a generous limit. He gets to spend money. He gets to have a budget. He’s happy. And he feels in total control.

Another favorite example is a woman recently who had called, and she was… when she was married, she and her husband had made over $100,000 a year, but they never saved a dime. And then after the divorce, now as a single mom, she uses a budget, a workable budget, and she’s saved more money than she ever had before.

So my role in this panel is to kind of discuss, “how do we set up a budget?” And my goal is to encourage people to become more proactive instead of reactive with their finances.

And this means learning how to start anticipating what those bills and expenses are going to be that are coming up, and how you're going to handle them way ahead of time, instead of just reacting to the bills and expenses during the month or during the moment.
For example, if you notice—or your mechanic tells you—that your tires are starting to wear down a bit, if you're proactive, you’ll start arranging to save up for the tires. You start watching for good tire sales. But when you're reactive, you keep saying, “Well, I don’t have any money or I don’t have time.” And you put it off until your tires are bald, [you] have a blowout on the highway, scare the heck out of you, and then it costs you a fortune to immediately take care of that new tire emergency, and then another crisis in life.

So let me help the listeners to be proactive with the budget by talking about three core steps. And one of the most important steps is really taking action, and not to get hung up on having the right budget system, the right software, the right workbook, the right online program. It’s really that—just do it.

And I find many people are unconsciously using this as a procrastination tactic. But there are so many tried and true systems out there, it’s just a matter of pick one and get started.

So what I suggest are three steps. And they are: first, create a yearly plan, a yearly picture as Kelly had said, a monthly picture, which is a monthly plan, and then a daily picture like a daily tracking system. So I’ll start with that first one, that yearly picture.

This really refers not to every expense for the year but instead a way to think about and list all those periodic, irregular, occasional, non-monthly payments and expenses that show up throughout the year. These can be quarterly, semi-annually, annual, whatever. [These expenses include] things like your tuition, camp, property taxes, eye exams, holidays, birthdays, car maintenance, or your parents’ anniversary coming up.
You actually know most of these expenses are coming up but you usually forget to factor them in ahead of time. But if you project as many of these as you can ahead of time, write them down for the various months, you start to see more clearly how these expenses are really becoming the budget buster over time.

And when you write down all these periodic expenses on one piece of paper under each month and you realize that all these expenses are above and beyond your normal day-to-day budget, that’s when you start to realize why the credit cards fill up so much or why that home equity line of credit is being taken out. So that’s one way to get the first piece, that yearly picture.

The second core step is having that monthly picture. And that means creating a very realistic, a very detailed and complete plan a month ahead of time. And I encourage, at least, not a month ahead, but say a week or two ahead for the month that’s coming up.

And not necessarily just working from the averages. I know many people use their software, and this is a great start, but I'm suggesting you go into more detail with that month as you plan ahead.

First, you outline your income, you know. How much will your take-home check be? How much estimated overtime are you going to be getting next month from the previous time period? Will you have any part-time work that you can add? Will you be selling something online or will you be having a yard sale? Can you add that money to your total amount? Will you be getting a refund from somewhere? So you outline exactly how much money you are going to have available to pay for all of your expenses during that upcoming month.
And then the next step for that month is to look at your expenses in terms of three chunks. The first one is those monthly fixed bills. The second is the variable fixed bills. And the third is those occasional expenses.

And everybody seems to know most of their monthly fixed…we all know our mortgage, our rent, our car payments, our auto insurance, and student loans, and day care, and gym and things like that, and the credit card payments.

The next one is those fixed variable expenses. And this is where people get a little mushy. These are the bills that come in every month. You just don't know exactly how much they’re going to be -- your utility bills, your phone bills, your groceries, your gasoline, your heating oil, and we know that that’s a variable. The gasoline’s a variable.

You may not know the exact amount. So you'll have to write down an estimate. And I encourage people to just take a guess. Any guess is better than not listing any amount. And it’s important to write all of this down.

And then we move into the next—third—area, the occasional expenses. And this is what I call the spending leak area. Most people are now remembering their latte fix and their lunches out, but also think about how many bottled waters will you be buying next month, are you having a haircut, are you getting your pet groomed, how many toiletries, how many books, what kind of recreation, how many movies, what about the, say, popcorn and the drinks that you're going to be paying for when you go to the movies, will there be any dry cleaning, CDs?

And then when you think about the months coming up, think about what's different about that particular month. Will you have visitors coming in? If you have family visiting, does that mean your grocery bill goes up, does that
mean your gasoline or your entertainment goes up, or is there a birthday celebration that month?

That way, you realize there’s a variable and I need to factor all of that in. And the power really is in the details. And, granted, you're not going to know all these, but again you could guess. This is an important skill, to start estimating ahead of time.

Once again, you're being proactive. You are anticipating what you might spend and making sure that you have enough income to cover [that] versus just being reactive and spending whenever you see a sale at the mall.

And this is the part that blows away most monthly budgets—not planning out these details ahead of time. And that’s why you do this planning ahead and why I encourage thinking about every possible expense, knowing you're going to be missing some, of course.

But then, you total all these expenses—fixed ones, the variable, the occasional—and subtract them from your income. If you have extra money, great. But before you get tempted to spend it, think about some of those yearly expenses we talked about and put [it] aside and reserve savings just to be prepared for them.

On the other hand, after you subtract your expenses from the income, if you find that you have a negative balance and you've done this whole outline in advance before the month actually begins, then you can be proud of yourself for figuring this out ahead of time because now you can be proactive instead of reactive.

Now you can do something about it. You can go through your list, and I suggest four questions to ask yourself. And let me just finish up my portion
with these questions: What can I postpone? Can that item or activity be put off a month or two?

Where can I cut back? Instead of spending $80 for shoes, can I spend $25 at a shoe sale? How can I find a creative way to have my needs met? Can I barter with someone, sell some stuff? What can I do to be creative but still get my needs met? And the fourth--what can I eliminate altogether?

And remind yourself when this choice comes up—“This is not going to last forever. It’s temporary. It’s not going to be one of those things that goes on all the time.” But it’s also important to realize this is not about lack and deprivation but this is about control over your money.

So the beauty of creating a clear spending plan ahead of time and knowing what you can and cannot afford is that it can be very, very freeing. You get to realize that it is okay to spend in some areas instead of freaking out and holding back like I’ve seen many people doing. They hold back everywhere because they don't know what they can spend and what they can't spend and they don’t have a plan.

So, in summary, we have the yearly plan; we have the monthly plan; and then the third thing is, of course, having a daily picture. And that's where you start tracking your daily spending.

And this is the part where people usually cringe, and I'm actually going to turn that one over to the next speaker who will expand on this and other aspects of budgeting.

So I thank you and thank everyone so much for being on this call.
Jane Walstedt: And, Judy, we certainly thank you because we know that you took time out of your training that you’re in right now to do this call, so we’re very appreciative, and that was, those were some very good suggestions.

Judy Lawrence: Well, I’m delighted. Thank you so much for putting this on.

Jane Walstedt: Okay. Thanks. Enjoy your training.

Judy Lawrence: Thank you.