

Budgeting for Families

Tips and Suggestions on How to Save Money
From The Hillbilly Housewife



Presented by www.HillbillyHousewife.com

Budgeting for Families

With the rising costs of homes, oil, food, healthcare, and college; it's a wonder how anyone can save enough money to ensure there is sufficient funds to cover all of the necessities in life. Even with moms and dads working full time; living from paycheck to paycheck seems to be the norm rather than the exception for many families.

This report will outline suggestions on how to set a budget and stick to it; teach children the value of money and how to save; and tips on how to invest for your children's college education.

According to statistics, an average family of four in the US needs an income of \$52,000 or more to live comfortably. In addition, college costs have risen to \$40,000 to \$100,000 or more, depending upon the college and state you live in and whether or not your child is boarding at the school. Health care is another issue which, unless you are covered by your employer, can literally break the bank if you become ill. Housing costs have risen at an alarming rate, and according to the Federal Housing Bureau, although home prices as of 2004 have hit the \$264,000 mark, we know today they are more in the neighborhood of \$500,000 and up. Rents have skyrocketed due to high fuel costs, and except for rent stabilized apartments, one has to wonder how anyone on a fixed income will survive.

However, with so much to think about, and in some cases; worry about, let's move on to budgeting for families and try to come up with solutions that make sense.

The American dream for most families has always been to own a home. Today, however, it is more about survival. Whether you own a home or rent, the concerns are the same. Do I have enough to educate my child? Is my health

insurance enough to cover my family in case of illness? Can I pay my bills each month, or do I have to ignore one to pay for another? Will I have to borrow from Peter to pay Paul?

Most of us have asked these questions over and over. Many sleepless nights have us contemplating the all too familiar question: How can I keep up, and still take care of my family?



Saving for College

Paramount in the minds of all parents who want their children to receive a college education is how to save for this eventuality. While some open CD accounts from their child's birth, others invest in stocks or bonds; and still others haven't even begun to figure out how to manage the cost.

College tuition today is exorbitant; not to mention the cost of books and other necessities associated with education our youth today. The good news is that most college students can apply for loans and seek Federal assistance, with the understanding the loans have to be paid back within a certain timeframe. In addition, college scholarships can make all the difference in alleviating the cost factor.

To keep college costs at a minimum, your child may have to attend a local college in your state. In this way, the cost to board would not be a consideration, and the savings derived would be within your family budget. However, if your child has his or her heart set on attending a specific college out of state, the cost will be considerable. One of the ways you can save for this eventuality is by setting up a college fund for your child from birth. Perhaps you can invest your tax refunds; and put away as much as you can afford. Investing in the stock market is taking a chance; but investing in a high yield CD account.

According to one source, www.howstuffworks.com, you can invest by utilizing an education IRA known as Coverdell Education Savings Accounts. It is explained in this way: “ESAs were improved significantly in 2002 because Congress increased the annual contribution limit from \$500 to \$2,000. Like 529 plans, ESA earnings are tax-free when used for education expenses, and they are considered the parents' asset so they don't adversely affect financial aid eligibility. They do have some advantages over 529 plans, including more control over your investments and the ability to use the money for private elementary or secondary school expenses.

Their disadvantages are the limitations on parents' income. For single tax payers, the eligibility phases out for incomes between \$95,000 and \$110,000. For married taxpayers filing jointly, eligibility phases out between \$190,000 and \$220,000. Another disadvantage is that the funds have to be used for education by the time the beneficiary turns 30. Like the 529, there is a 10-percent penalty if the money is used for anything other than education expenses.”

For further information, you can check this website to determine if you can utilize this type of account, as well as checking into the 529 Plan.

Teaching Kids the Value of Money

The old saying, “A penny saved is a penny earned” is a wise tenet we were taught by our parents. Today, with computers and electronics; PC games and iPods; cell phones and Blackberrys; the latest fashions and footwear; one would need to save long and hard to afford any of these things. For kids, wearing the most up-to-date clothes and sneakers is foremost on their minds.

Teaching kids the value of money has to begin at an early age. So too, if kids see their parents constantly buying new things; most likely they will want larger allowances and become as frenetic in their buying habits as their parents. Thinking back to when we were kids, if our parents couldn't afford something we wanted; we didn't get it. End of story.

Some parents today indulge children way too much, thus the value of money seems insignificant. Moreover, these kids may think their parents are rich when, in fact, they are trying to make ends meet just like the rest of us.

The word “no” has to be placed back into the vocabulary when it comes to teaching children they can't have anything they want. Moreover, instructing them how to save for their future is a method which has been lost in rearing some children today. Not any fault of their own, our children are exposed to young actresses or teens who have inherited great sums of money and they are pervasive on TV and in magazines.

When we were their age, and didn't have any money, spending a day at the park or enjoying each other's company in or outside our home were sufficient. Not so today. With malls incorporating hundreds of high end stores, this is where the kids like to "hang out," and are thus engaged in looking at the expensive displays of clothes, jewelry and electronics. Just this Christmas, kids begged for the new Nintendo Wii. Those who were fortunate enough to receive them as presents should be thankful. Unfortunately, what they do not realize is their parents probably have to work overtime to pay for the cost of this expensive item.

How do we teach children the value of money and the importance of saving for their future? No doubt, this is one area parents are wrestling with every day. However, parents who incorporate an honest approach in explaining money to their children, do succeed in bring home the point – by example. Living with parents who were never considered rich by any means, we soon learned the true value of saving money, and the consequences of spending beyond our means. Kids cannot relate to the future; they deal with each day as it comes. If they were asked: "How will you support yourself when your dad and I are no longer here," their likely response would be: "Why do I have to think about that now" or "I don't want to discuss it now."

It is a discussion parents must have with their children. There has to be an open dialogue where families can discuss financial matters with children (at an appropriate age, of course). Whether you buy a piggy bank for your infant; open a savings account; clip coupons out of the paper with your child present; discussing purchases and deciding as a family if it is affordable; these are the starting points at which your child will begin to understand the hows and whys of saving money and the ramifications involved when lack of money becomes a serious issue.

As parents, we all want to protect our children and ensure their future is better than ours. But by not disclosing money issues we are not protecting them, but

allowing them to live in a world where they believe money will always be available to them. By not showing discipline in our own spending habits, we are denying them the basic fundamental truth that money doesn't grow on trees; that saving for their future is vital; and that assuming they will always be taken care of is an erroneous one. Conversely, maintaining limits by budgeting; carefully keeping track of spending; and keeping the dialogue open by allowing children to participate in family discussions about money, will give them a keen sense of awareness as to the pitfalls derived by overspending and impart the importance of saving for their own future.



How to Set a Family Budget and Stick to It

There are many ways in which family budgeting can be utilized and maintained. Write down the family expenses and income. Decide where you can eliminate some of the more expensive items you buy. Here are some suggestions:

- Buying groceries in bulk
- Use coupons whenever possible
- Buy grocery items on sale
- Buy generic products in supermarkets and drug stores
- Using more beans and less meat (see our Hillbillyhousewife recipe section for yummy meal ideas <http://www.hillbillyhousewife.com/beanrecipes.htm>)
- Use Powdered Milk instead of fresh - <http://www.hillbillyhousewife.com/powderedmilk.htm>
- Keep the lights off when not at home
- Use energy saving appliances, such as air conditioners and refrigerators, etc.
- Keep the room temp at your home at the minimum level
- Cut up all credits cards, except one
- Call credit card companies and ask for lower interest rate
- Pay for cash as often as possible
- Put money into a CD account
- Buy savings bonds
- Invest your tax refund in an educational IRA
- Put all of the change you've accumulated at the end of the day into a large glass jar
- Walk more often, rather than driving
- Talk to a financial consultant to determine if your budget is appropriate to your income

Once you have set a budget, you have to stick to it religiously. Try not to borrow any money unless absolutely necessary. If you do take out a home equity loan, shop around for the best interest rate. Keep your home and furniture in good condition; the last thing you need when on a budget is to have to expend additional dollars for home improvement.

There are several online sites who offer savings deals with online merchants; offer coupons for different supermarket items; and certainly if you need to buy something always check eBay first. When shopping for clothes and footwear; choose clothing warehouses or inexpensive stores to save money. By the way, they do offer brand named items for less.

If these are not available in your area, the major stores always have sale days every week. For Christmas, begin shopping in February – when sales are aplenty. Start a new tradition by buying your kids one expensive gift, as opposed to many. You can also give them items they can use for school as well as accessories they can wear.

For college bound kids; shop online for books. Most college bookstores are very expensive. Save where you can by purchasing used books. Check out the many financial aid services being offered, as well as Federal loans. As mentioned above, utilizing the ESA or the 529 Plan may be to your advantage.

Go to dollar stores to buy incidental items for your home. They also have apparel which you can purchase for your younger kids, as well as school supplies. Or visit Costco or BJ's wherein you can buy in bulk, and save. WalMart is another place where you can save money as well.

Here are some more suggestions for grocery shopping on a budget:

<http://www.hillbillyhousewife.com/budgetbuys.htm>

Payless offers you unique savings on shoes and sneakers. Instead of buying the more expensive cell phones with unnecessary cameras and text messaging, look into family plans which offer phones for free.

Call your telephone company regularly to determine if there are special rates being offered. If you have cable or satellite; determine what you can cut down on in that area. Some cable companies, as well as telephone companies, are now offering a three-in-one service; cable TV, phone and internet service. Check to see if it is cost effective for you to use this service.

Remember too, as parents, we have to insure we have the best possible health and insurance coverage available. The last thing we ever want to do is burden our children with added expenses when we become old. Look into term and whole life insurance.

Research different companies and determine which coverage meets the needs of you and your family. The same holds true for auto insurance. Scout around; perhaps you can save on your current coverage by switching to another company. If you have an old car; you will no longer need to pay for collision damage.

Budgeting isn't easy; but it is necessary in today's economy. No matter how hard we work, we never seem to make ends meet. However, if we budget early on; set a realistic and reasonable goal for our families; it can make all the difference in the future of our children and ourselves.

If you are in a big pinch one month, use the Hillbillyhousewife's Emergency menu to get food on the table for a week for \$45

<http://www.hillbillyhousewife.com/40dollarmenu.htm>

or use the everyday menu when you have a little more money to spend

<http://www.hillbillyhousewife.com/70dollarmenu.htm>

To Learn More

For more Family Budget Tips, we invite you to take a look at our sister site

www.OurFamilyBudget.com

Take a moment to browse through the articles and resources on the site for more budgeting information and don't forget to sign up for the budgeting newsletter.

