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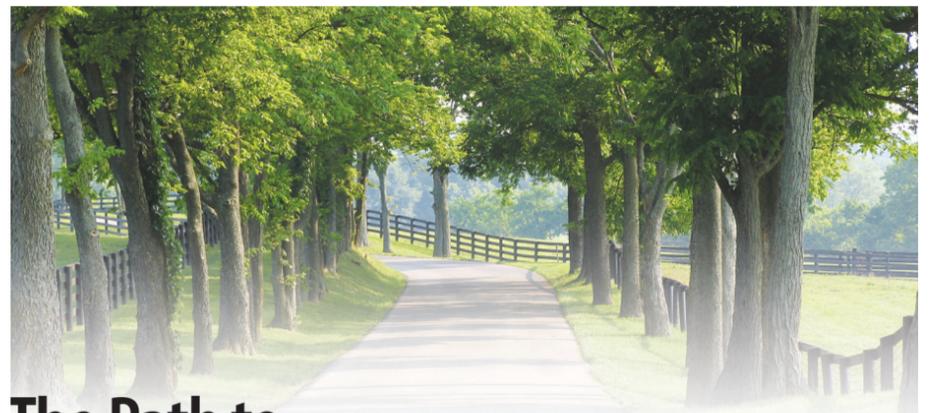
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*Special does not apply to Cottages.



The Path to STABILITY



Navigating Contemporary Financial Challenges

I am not a numbers person, and I just cannot seem to get a handle on my family's finances. My wife and I both work at salaried jobs, and we have a respectable combined income, but with several young children, our money seems to fly out the window, leaving us scratching our heads to figure out where our paychecks are disappearing to.

We are always struggling to finish the month, and we never manage to put anything aside for savings, even though I do not think that we live extravagantly. I know that I need to start living with a budget, but frankly, I haven't the faintest idea how.

Mesila's experience has been that most people need to be taught the basics of budgeting. You don't have to be a math whiz or a "numbers person" to budget. All you really need is a pen and paper, a calculator, some time and a little discipline.

A budget is simply a plan for managing your money, based on your estimated income and expenses. Creating and living within a budget will put you in control of your finances and will give you the freedom to decide what you want to do with your money.

Here are some straightforward steps for creating a workable budget.

Step 1: Determine Your Income

Start by adding together your net annual salaries. Add to that any additional income (money from side jobs, investment earnings, interest, government allowances, etc.). Do not include possible windfalls — such as gifts or year-end bonuses — in your annual income.

Step 2: Track Your Expenditures

To track your expenses, you and your wife will need to write down *every* shekel (or dollar, or pound) you spend for a minimum of two to three months. During this time, keep all of your receipts, or carry little notebooks with you to write down expenses as they occur.

Initially, you might find it restrictive to record all of your expenses, but after doing it for a few days you will begin to feel empowered. You might also notice where money is going to waste.

In addition to recording each purchase you make, you need to think about all of the other places where you spend money. Invisible costs like bank and credit card charges, automatic bank account withdrawals, and items you buy with pocket change are often responsible for the discrepancy between what you think you spend and what you are actually left with (or without) at the end of the month.

Step 3: Calculate your expenditures

After you have tracked your expenses, you will need to categorize your expenditures.

Fixed monthly expenses include things like mortgage or rent, tuition, *arnonah* payments, insurance (life, health, home, auto, etc.), car payments, child care, savings plans

and domestic help. There should be no guesswork in this category.

Fluctuating monthly expenses are a bit trickier. Examples are: food, utilities (telephone, cellular phone, electricity, water, gas, etc.), gasoline, household products (toiletries, cleaning products, paper goods, etc.), medications, bank charges and dry cleaning, as well as *tzedakah* contributions.

After tracking your expenditures for two or three months, you should be able to determine a range for these fluctuating expenses. Budget using the higher end of the range.

All monthly expenses should be recorded under the month they were incurred, not the date they were paid. For example, if a pipe bursts on Jan. 31 and you pay your plumber with a check dated Feb. 28, record the cost of the repair under January's expenses.

Annual and occasional expenses are things like summer camps, children's extracurricular activities, medical and dental bills, clothing, shoes, vacations and outings, *simchas* and parties, home repairs, car maintenance, Yom Tov expenses, furniture and appliances. Estimate these costs to the best of your ability, using previous years' expenditures as a guide.

To determine your total annual expenditure, add up your fixed and fluctuating monthly expenses and multiply the total by 12. Then add to that your annual or occasional expenses.

Now that you have a fairly accurate estimate of your annual expenditures, pad this figure to allow room for unanticipated expenses. This will give your budget the flexibility to accommodate surprise expenses like parking tickets, lost knapsacks or passport renewals.

We recommend that you then divide your annual income and expenditures by 12 so that you can work with a monthly budget, which is easier to follow than a yearly budget.

Step 4: Compare Your Income and Expenses

Once you have determined how much you are actually spending every month and where all the money is going, you can measure your expenditures against your income.

If your income exceeds your expenditures, your situation is ideal: You have a surplus, giving you extra money to save or use as you see fit.

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Mesila is a non-profit organization dedicated to helping families and businesses in Israel achieve financial stability and independence. With over 25 chapters across Israel, Mesila's three-pronged approach of education, counseling and financial assistance is rescuing hundreds of families and businesses from the cycle of poverty and debt. Readers are invited to submit questions and feedback to hamodia@mesila.org. or by fax to (02) 500-0478.