Take control of your cash flow

Want to spend smartly and feel richer? Finance pro Nicole Lapin says all you need is an LBD—a little budget diary, that is.

Nicole Lapin is a former CNBC and CNN anchor and the author of *Rich Bitch: A Simple 12-Step Plan for Getting Your Financial Life Together... Finally.*

A WHOPPING 68 PERCENT OF U.S. HOUSEHOLDS don't have a monthly budget, so I'm guessing that might include you. I know: Budgeting sounds like the least fun exercise ever, but it's super-important. Making a plan for how you'll deploy your money helps you create the life you want—cute shoes, vacations, and all. In fact, research shows that people who actively budget tend to make better money decisions in general. So if you hate the word *budget*, fine. Do what I do and call it your LBD—your little budget diary. Trust me, *this* LBD is way more crucial than the one hanging in your closet.

Create your LBD

Here's the quick-and-dirty way to make one: Add up all your earned income from jobs, investments, and anything else. That's your total monthly income. Now write down all your monthly expenses, broken up into these subcategories:

1 **Essentials:** All those crucial living expenses, such as your mortgage or rent, utilities, insurance, food, and other literal *needs* (soap!). Also set aside 5 percent for an emergency fund here. You know, just in case your car dies.

2 **Endgame:** Those future things you are (or want to start) putting money aside for now—your retirement, house repairs, or college money for your kids. Aim to contribute 15 percent of your overall budget here.

3 **Extras:** Your entertainment, beauty, vacation, and restaurant spending, etc. Just make sure the total stays *under* 15 percent of your budget. (Never budgeted before? Go to nicolelapin.com /help-is-here for step-by-step instructions.)

How to work it

Got it all down? Bravo! Now ask yourself: Is your LBD telling you the truth? We've all fibbed to ourselves about money at some point, especially when we want more cash for those extras. So add up all your monthly expenses again. The sum *has* to be less than your total income. If it's greater, you're overspending, so go back and trim the fat from your Extras, my friend. Even if the sum is less, look again. Did you remember your gym fee? Birthday gifts? Here's another way to keep your LBD honest for the first two months or so: Go to the ATM at the start of each month and take out the exact amount you budgeted for your Extras. I won't tell you how to spend it, but when you run out, show's over until next month. This trick helps ensure that you don't go over budget; plus, studies indicate that cash in-hand is harder to part with, so you may even have some "fun money" left over when the month ends.

The payoff

The idea of making a custom-tailored LBD is *not* to be restricted but to be more comfortable moving money around and making it work for you. Here's the thing: If you've made an accurate budget and you've covered the Essentials and the Endgame, you have the right to put whatever you want in your Extras column. It's *your* money. Think of yourself as the CFO of your own little company. Do you want to have cupcake Fridays for coworkers? Great! Just make room for it in the Extras column. If you want to spend 75 percent of your Extras money on a trip to Disney World, good for you! Just factor it in first. Because when you decide ahead of time where your money is going, and you can afford it, buyer's remorse vanishes and you can feel great about your spending. (Plus, you budgeted for the unexpected, so you won't feel bled dry by a last-minute emergency.) And just like your sartorial tastes, your LBD will (and should) change over time. So make small adjustments as you go, and I know you'll start living richly.



BRECHT VANTHOF.