

## ▶ Comparing Income to Expenses

To figure out your total monthly *expenses*, follow these steps:

*Step 1: Total your fixed expenses.*

*Step 2: Add in your periodic fixed expenses.*

*Step 3: Then add your variable expenses. Now you have a subtotal.*

*Step 4: Add the subtotal to your indebtedness number. That's your total monthly expenses.*

### ▶ Example

Total fixed expenses		\$800
Periodic fixed expenses	+	\$150
Variable expenses	+	\$200
<i>Subtotal</i>	=	\$1,150
Indebtedness	+	\$350
<b>Total Monthly Expenses</b>	=	<b>\$1,450</b>

Now you're ready to compare your *income* with your *expenses*:

*Step 1: Subtract your monthly expenses from your monthly net income.*

*Step 2: Is this number positive or negative?*

*Step 3: If this number is positive (your income is more than your expenses), then you know how much money you're saving every month.*

*Step 4: If this number is negative (your income is less than your expenses), then you're overextended. It's time to examine where your money is going.*

### ▶ Example 1

Monthly net income		\$1,750
Total monthly expenses	-	\$1,450
<b>Amount Saved</b>	=	<b>\$300</b>

### ▶ Example 2

Monthly net income		\$1,750
Total monthly expenses	-	\$2,050
<b>Amount Overextended</b>	=	<b>\$(300)</b>