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Don't file away that tax return! It's also a great budget tool

By DAN MATHEWS

Starting a budget can be intimidating because it is difficult to know where to start. A good budget begins with good data. One of the best resources should be fresh on your mind and easily accessible; it's your 2012 tax return. Here's how you can use it to start

your monthly budget.

The first step is to determine your income. Start by finding your total income on your tax return, which is reflected on line 22 of the Federal Form 1040. Adjust this number to exclude all the interest, dividends and capital gains/losses (lines 8, 9 and 13). If you

receive Social Security benefits, then use the total benefits on line 20a, not the taxable amount on line 20b to determine your total income. The amount equals the total annual

income coming into the household. Take this amount and divide it by 12 to calculate your monthly income.

To determine your expenses, first start by finding the itemized cash expenses that are reported on Schedule A. Start an expense category for each of the following:

Medical Expenses (line 1)

State and local taxes (line 5)

Personal property taxes (line 7)

Charitable gifts of cash (line 16)

Miscellaneous itemized deductions (line 24)

Go back to the Federal Form 1040 to find the Federal taxes that you paid, which are on lines 62 and 63. If you received a W-2 from your employer, then you need to include the Social Security and Medicare tax in boxes 2 and 4 from the W-2.

If you had child and dependent care expenses, those are reflected on Form 2441. Use the total amount paid to providers.

Take each expense above and divide it by 12 to calculate the monthly amount.

If you rent a home, then add a category for your monthly rent. If you make a mortgage payment, which includes payments for real estate taxes and insurance, then you can add

a category with the total payment. If you pay the real estate taxes and insurance yourself, then get the total real estate taxes paid from line 6 of the Schedule A and divide it by 12.

Homeowners insurance premiums can be added to the general expenses explained below. Now add the expenses that are not included on your tax return. These include personal

monthly debt payments e.g., car, student loans and credit card payments, and your monthly general living expenses e.g., groceries, dining, gas, entertainment, utilities,

clothes and non-medical insurance premiums, etc. You can track general living expenses by saving receipts, downloading the data from your online bank account, or using web-

based solutions such as www.mint.com or www.quicken.com.

If your monthly income exceeds your expenses, then you should have surplus cash for additional saving or spending. If your monthly income is less

than your expenses, then you should look for ways to reduce your discretionary living expenses.

Although you will not be able to complete your budget with your tax return alone, it is a good starting point. Once you begin, you must update your budget to account for current

changes to your income and expenses, especially if they are significantly different than last year.

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