

BUDGETING 101: WELLNESS FOR YOUR FINANCES

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You can come out now. I promise not to use the word budget again.

What are we talking about today?

- What's a budget?
- Why is a budget important?
- How do I make a budget?
- Resources
- Other Personal Finance Topics



A LOOK
at the
BUDGET

What is a budget?

- A budget is simply a written plan for your income and expenses



“A budget is telling your money where to go instead of wondering where it went.”

Dave Ramsey

Why is a budget important?

- It's a **ROADMAP** for your money, both short-term and long-term
 - "If you don't know where you're going, any road will get you there." (paraphrased from Alice in Wonderland)
 - "Begin with the end in mind." (7 Habits of Highly Effective People)
- It's a **PROACTIVE** way to **PRIORITIZE** your spending and your life
- It can help take the **STRESS** and **GUILT** out of your finances



How do I make a budget?

Personal Budget Worksheet

Income	Monthly Budget	Actual	Difference
Job#1			
Job #2			
Other			
Total Monthly Income	\$	\$	\$

Expenses	Monthly Budget	Actual	Difference
Fixed Expenses			
Rent			
Car Insurance			
Car Payment			
Credit Cards			
Flexible Expenses			
Savings			
Food			
Utilities			
Transportation			
Bus Fare			
Gas and Oil			
Parking and Tolls			
Repairs			
Other			
Medical Expenses			
Clothing			
Entertainment			
Household Items			
Personal Items			
Tuition			
School Expenses			

Total Monthly Expenses \$ \$ \$

How do I make a budget?

1. Determine your monthly income

Net Pay per Pay Period = \$1,500

$\$1,500 \times 2$ (# of paychecks/month) =
\$3,000 net monthly income

**2 months out of the year will
have 3 paychecks – use the extra
paycheck for savings, debt payoff,
or major one-time repairs or expenses*



How do I make a budget?

2. Determine your monthly expenses

- Make a list of major categories of expenses and add in subcategories
 - Enough to be helpful, but not too many

- **Giving**

- **Housing**

- Mortgage
- Electricity
- Gas
- Garbage
- Water
- Security System

- **Insurance**

- Life
- Auto
- Home

- **Auto**

- Fuel
- Service
- Taxes

- **Dining Out**

- **Groceries**

- **Other Debt Payments**

How do I make a budget?

2. Determine your monthly expenses

- Assign amounts to each category
 - If you're already keeping track of your expenses, go back and look at what you typically spend in a month.
 - If you have no clue, either estimate or spend the next month tracking how you spend your money.
 - Be **REALISTIC** in assigning amounts to each category. Some categories are more discretionary than others. **Having a budget that you're not able to stick to provides little benefit.**

ITEM NO	DATE	DESCRIPTION OF TRANSACTION	AMOUNT	BALANCE
208	4/20	Board snack		
272	4/23	Next level clothes purchase	6 20	8771 75
273	4/23	April wk #3 purchase	78 78	8765 55
274	4/24	April wk #3 purchase	14 95	8616 77
275	4/24	April wk #4 purchase	20 83	8416 95
276	4/24	April wk #4 purchase	75 00	8071 82
277	4/24	April wk #4 purchase	20 00	1650 83
278	4/24	April wk #4 purchase	80 00	75 00
279	4/24	April wk #4 purchase	51 13	1655 99
280	5/4	May wk #1 purchase	9 00	20 00
281	5/4	May wk #1 purchase	265 44	8575 99
282	5/4	May wk #1 purchase	50 00	8071 82
283	5/5	May wk #1 purchase	599 99	1650 83

How do I make a budget?

2. Determine your monthly expenses

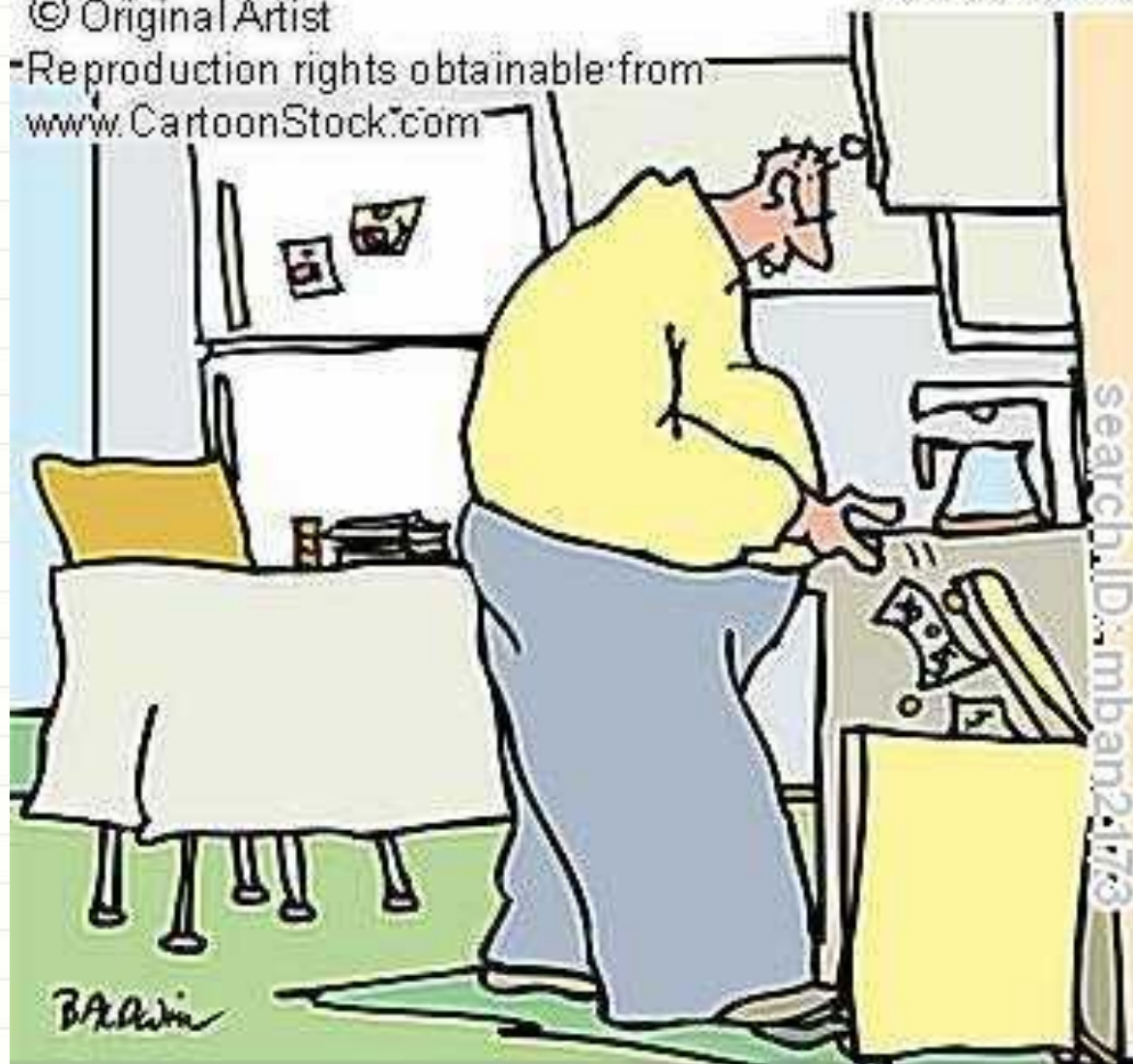
– GIVE EVERY DOLLAR A JOB!!

- If you have money left over after assigning all expenses, great! But you still need a plan for that leftover money, such as:
 - **Savings (Retirement, College, New Vehicle, Vacation, etc.)**
 - **Build an Emergency Fund for those unexpected expenses**
- If you run out of money before you've covered all expenses, then you may be living beyond your means = adjustments in your spending are needed

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Bob didn't have much disposable income. But somehow he still managed to throw away a little each week.

How do I make a budget?

3. Keep track of your expenses and stay within budget!

- Tracking your expenses can be as simple as a sheet of **paper** and **pencil** or as savvy as an **app** for your smart phone.
- Regardless of the method, you just need to keep track of what you're actually spending for each category of your budget.



How do I make a budget?

3. Keep track of your expenses and stay within budget!

Example:

PAYEE	CATEGORY	AMOUNT SPENT
Walmart	Groceries	\$75.00
BB&T	Mortgage	\$1,000.00
AMC Theater	Entertainment	\$25.00

How do I make a budget?

3. Keep track of your expenses and stay within budget!

- As you're tracking your expenses, update your budget so you know how much you have left to spend.

CATEGORY	BUDGET	SPENT	REMAINING
Groceries	\$500.00	\$75.00	\$425.00
Mortgage	\$1,000.00	\$1,000.00	\$0.00
Entertainment	\$100.00	\$25.00	\$75.00

Other Helpful Tips

1. Live on last month's income
2. For expenses that you don't pay monthly (quarterly, annually, etc.), budget a portion of the total payment each month so that when the payment is due, you're not scrambling to come up with a large chunk of money
 - Example – Auto insurance payment of \$300 is due every six months. Instead of waiting until the sixth month to scrape together \$300, budget \$50 each month so that by the sixth month, that \$300 payment is no big deal
3. ALL spending should be budgeted, regardless of whether you use cash, debit card, or credit card to pay for expenses

Other Helpful Tips

4. Try an envelope system for major categories that need to last you the entire month, such as groceries, entertainment, or dining out. When the cash runs out, you're done spending on that category for the month!
5. Take a few minutes, at least once a week, to update your budget/spending. It's difficult to make it to your destination if you're not watching the road!
6. Give yourself some flexibility with your budget. If your Electricity bill comes in \$5 higher than budgeted, it's not the end of the world! Simply move \$5 from another budget category to the Electricity budget category.

Other Helpful Tips

7. Your budget may vary month to month depending on various factors:
 - Gas bill higher in winter and lower in summer
 - Electricity bill lower in winter and higher in summer
8. Setup your paycheck to be directly deposited into a savings account. Once you've planned your budget for the month, only transfer to the checking account what you need (or budgeted).
9. Whoever spends the money needs to be involved in budgeting the money.
Communication and cooperation are essential to making a budget work!

Other Helpful Tips

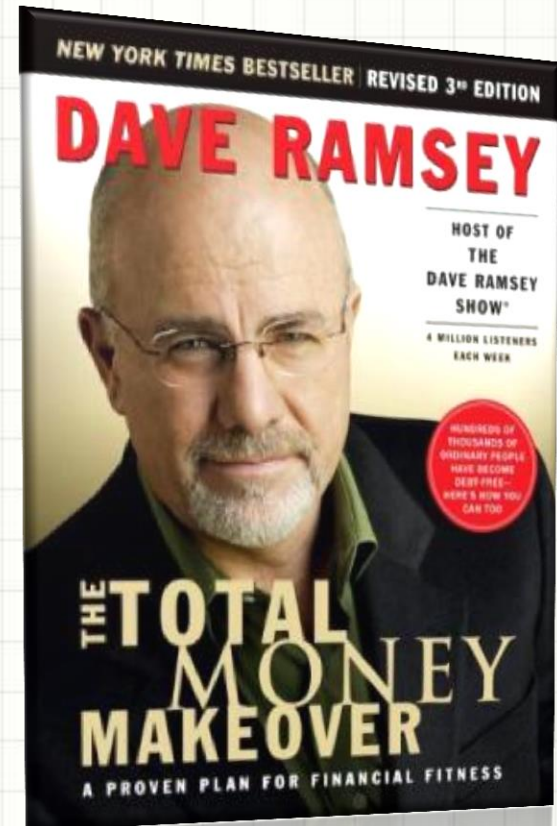
10. Are there areas in your budget you could sacrifice to achieve your financial goals?

- Do you watch **ALL** 200 cable channels?
- Is eating out really that much better than eating at home?

Additional Resources

Reading

- Dave Ramsey
 - www.daveramsey.com
 - “The Total Money Makeover”
 - Advice on overall financial plan
 - Financial Peace University
- Clark Howard
 - www.clarkhoward.com
 - General financial advice

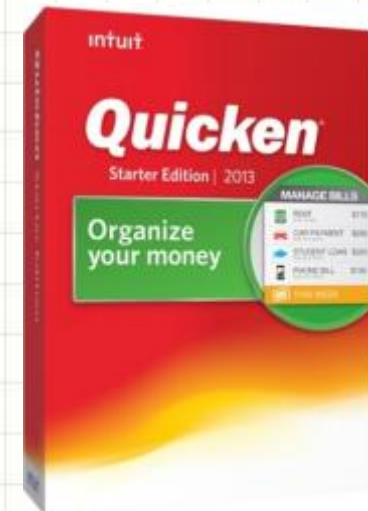


Additional Resources

Budgeting Tools

- You Need a Budget
 - Computer software that connects your budget with your bank accounts (checking, savings, credit, etc.)
 - Can sync with smartphone
 - Free 30 day trial, \$60 to purchase
 - Free online classes
 - www.youneedabudget.com
- Mint
 - www.mint.com
- Quicken
 - <http://quicken.intuit.com/>

You Need A Budget.



Other Personal Finance Topics

- Budgets help us plan how to spend our money.....but a budget doesn't necessarily help us spend our money wisely
- Having an overall financial plan or financial goals is essential to making wise decisions with your money
- **Our goals should dictate our budget**



Other Personal Finance Topics

Example – Dave Ramsey's 7 Baby Steps

1. Build \$1,000 emergency fund for the unexpected
2. Pay off all debt using the Debt Snowball
 - Focus on paying off smallest debt first
 - When smallest debt is paid off, add that money to what you're already paying on the next smallest = Debt Snowball!!
 - Continue accumulation of available money to pay off successive debts

Other Personal Finance Topics

Example – Dave Ramsey’s 7 Baby Steps

3. Build an emergency fund of 3 to 6 months living expenses
 - What essentials would you need if you or your spouse were out of work or unemployed?
4. Invest 15% of household income for retirement
5. Save for children’s college education
6. Pay off home early
7. Build wealth and give



QUESTIONS?