

Budgeting

Personal Budget: a finance plan that allocates future personal income towards expenses, savings and debt repayment, taking into consideration past spending practices and current personal debt.

Overview

- A budget must be an accurate reflection of “you”
- Will help you control expenses, reallocate resources, and create financial discipline
- Standing still means you are falling behind due to inflation & missed opportunity
- Keep it simple – it does not have to be complicated
- It is a plan and must be flexible and easy to use
- Use an on-line budgeting tool

Why You Need a Budget

- **A budget will help you:**
 - Reach your financial goal(s)
 - Be in charge and provide confidence
 - Prioritize and control debt
 - Ensure you do not spend money you don't have
 - Live within your means
 - Be prepared for emergencies and unplanned financial events
- **Everyone requires a plan to:**
 - Improve finances
 - Make your saving grow
 - Allocate and spend a steady source of income
 - Anticipate monetary needs and reduce unnecessary expenditures
 - Build a road map to help you see where you are, where you want to go and how to get there
 - Provide a future source of income from investments after retirement



Budget Category Guidelines

Housing	30%
Transportation	18%
Food	12%
Insurance	9%
Medical	6%
Utilities	5%
Saving	5%
Recreation/Entertainment	5%
Clothing	4%
Other debts	3%
Miscellaneous/Personal	3%

Budget Building

- **Three steps to creating a realistic, affordable budget**
 - Calculate your monthly “net” income
 - Estimate you monthly fixed & variable expenses
 - Calculate the difference and make adjustments
- **Pay yourself first**
 - Create an emergency fund
 - Establish a saving account & retirement account

Calculate Your Net Worth

- The value of your assets (what you own) minus your liabilities (what you owe) equals your net worth
- Provides a snapshot of your overall financial picture at one point in time

Tips & Strategies

Budget Adjustment

- Your budget is a plan, open to adjustment as conditions change
- Review income and spending estimates – how close are your actuals to your estimates?
- Make adjustments to your plan and minimize the negative impact of those items which you can control
- Plan to achieve your goals
- Be sure your budget is realistic

Pay Yourself First and Save

- Create an emergency fund (should be able to cover three to six months of living expense)
- Develop a habit of spending less money than you earn and save the difference
- Establish a savings account and add to it on a regular basis
- Be sure your cash reserve is kept in a bank account which bears interest
- Enroll in your company's retirement plan – 401k, 403b, etc.
- Begin an investment plan as soon as possible
- Reinvest all profits and dividends from investments to maximize growth
- Change your spending habits – track daily spending for a few weeks
- Develop more spending discipline
- Pay off or consolidate debt – especially high interest credit cards

Financial Imbalance Warning Signs

- Have you stopped paying off your credit card balance each month?
- Are you:
 - Making minimum payments each month?
 - Paying your bills “late” each month and incurring late fees?
 - Funding “needs” with credit?
- If the answer is “yes” to any of these questions, you have an imbalance in your finances
- Your budget plan is outdated, with many categories understated, leading to an overall shortfall of cash

Shop for Banking Services

- **Cost of Service** – review your current statement and compare the fees to those of other banks in your area
- **Convenience** – be sure the institution provides service to you in a format with which you are comfortable
- **Interest rates & types of available accounts** – the institution you select should provide the account services which you need
- Be sure your institution is federally insured – FDIC for banks and NCUA for credit unions
- Since credit unions are member owned, they often can provide comparable services at a lower or no cost and sometimes offer better loan and savings interest rates

Ways to Save Money

Setting Financial Goals

- **Take Responsibility For Your Finances - No One Else Will**
- Define what is important to you...be specific – narrow your objectives
 - No ‘right’ or ‘wrong’ answer
 - Success must be measurable
 - Write them down, develop a plan & take action
 - Wants vs. needs - expenditures should match your values, be affordable and not put you into debt
 - Be prepared for conflicts
 - Winter vacation cruise vs. saving for a deposit on a house
 - Groceries vs. eating out
 - Public transportation vs. car
 - Short term vs. long term
 - Balance priorities and be willing to trade short term comfort for long term goal achievement
 - Be prepared for change
- Establishing goals is the critical first step to allow you to see the “big picture” of your finances

Saving Tips and Checklist:

- Home brew coffee (save \$2 - \$5 a day)
- Bring lunch to work (Save \$500 a year)
- Eat out fewer times each month (Save up to \$500 a year)
- Use a grocery shopping list
- Car pool or use public transportation
- Entertainment at home - rent a DVD instead of going to the movie
- Borrow books rather than purchasing them
- Look for clothing sales at discount outlets
- Wash and iron clothes yourself
- Drive at the speed limit on the highway
- Share living expenses with a roommate(s)
- Plan gift-giving well in advance
- Keep your car engine tuned and its tires inflated to their proper pressure (save up to \$100 a year in gas)
- Shop around for gas
- Reduce credit card balance (save up to \$150 - \$200 a year - may vary due to interest rates)

Control Everyday Expenses

Small purchases add up to large expenses over time

Item	Frequency	Cost per unit	Monthly cost	Annual Cost
Coffee	5 x a week	\$3	\$60	\$720
Pizza	3 x a month	\$15	\$45	\$540
Movies	2 x a month	\$20	\$40	\$480
Afternoon Snacks	3 x a week	\$2	\$24	\$288
		Total	\$169	\$2028

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Budget Worksheet

Your Monthly Income

Your monthly take home pay: \$ _____
Other monthly income: \$ _____
Total monthly income = \$ _____

Fixed Expenses

Savings

Emergency Fund \$ _____
Investments \$ _____
Retirement \$ _____
General/Vacation \$ _____
Subtotal = \$ _____

Housing and Utilities

Rent/Mortgage \$ _____
Insurance \$ _____
Sewer/Water/Garbage \$ _____
Heat/Oil/Gas \$ _____
Electricity \$ _____
Cable/Internet/Cell Phone \$ _____
Cleaning supplies \$ _____
Subtotal = \$ _____

Transportation

Gas \$ _____
Insurance \$ _____
Public transportation \$ _____
Parking/Tolls \$ _____
Car maintenances \$ _____
Subtotal = \$ _____

Loans & Credit Card Debt

Student loans \$ _____
Credit card payments \$ _____
Consumer loans \$ _____
Car payment \$ _____
Subtotal = \$ _____

Healthcare

Health/Life insurance \$ _____
Doctor/Dentist visits \$ _____
Prescription/Glasses \$ _____
Subtotal = \$ _____

Variable Expenses

Food and Personal

Groceries \$ _____
Laundry/Dry cleaning \$ _____
Dining out \$ _____
Newspapers/Magazines \$ _____
Child Care \$ _____
Entertainment \$ _____
Pet care \$ _____
Haircut/Beauty care \$ _____
Clothing/Shoes \$ _____
Gifts & Cards \$ _____
Vacation(annual cost/12) \$ _____
Books and Supplies \$ _____
Other \$ _____
Subtotal \$ _____

Total Monthly Expenses

Saving \$ _____
Housing \$ _____
Transportation \$ _____
Loans & Credit Cards \$ _____
Health Care \$ _____
Food and Personal \$ _____

Total Monthly Expenses \$ _____

Budget Review

Total Monthly Income \$ _____

Total Monthly Expenses \$ _____

Surplus/Deficit \$ _____