

Budgeting:

A finance plan that allocates future personal income.

A budget should be an accurate reflection of your financial situation which will help you control expenses, reallocate resources, and create financial discipline. It should be a flexible, easy-to-use plan that will help you keep track of your money. Budgeting doesn't have to be complicated. Keep it simple by using a budgeting tool you find easy to use.

Why You Need a Budget

A budget will help you:

- Reach your financial goals
- 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

Abiding by your budget can help you to:

- Improve finances
- Make your savings 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 Building

3 Steps to creating a realistic and affordable budget

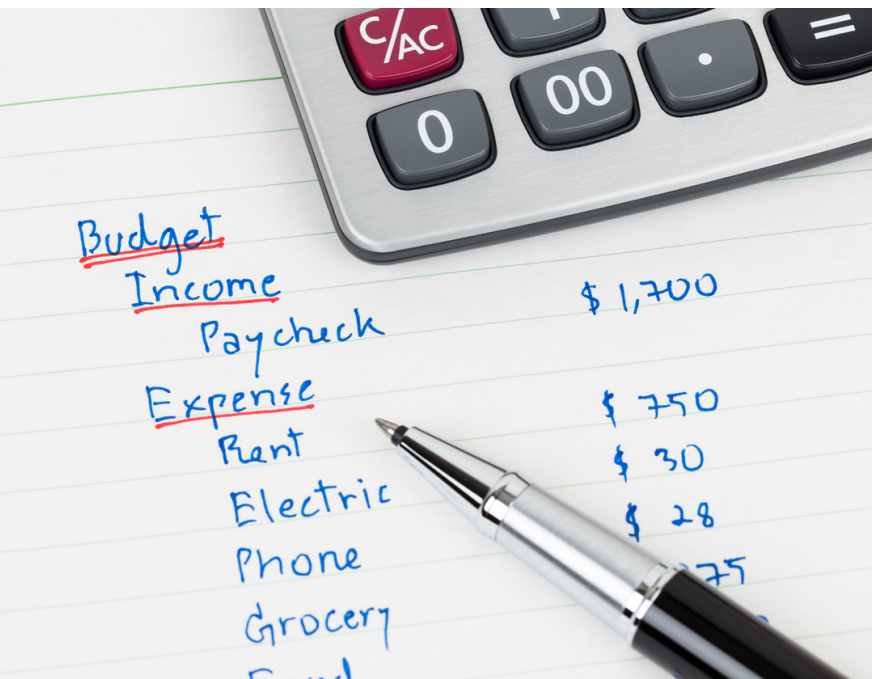
- Calculate your monthly "net" income
- Estimate your monthly fixed & variable expenses
- Calculate the difference and make adjustments

Pay yourself first

- Create an emergency fund
- Establish a savings account and 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



Sample Budget Category Guidelines

Housing	35%
Transportation	15% - 20%
Food	10% - 20%
Debt Payments	5% - 15%
Personal/Discretionary	5% - 15%
Savings	5% - 10%
Utilities	5%
Clothing	3% - 5%
Medical	3% - 5%

Note: Annual budget guideline percentages are for a budget aimed at savings. High expenses for daycare, higher education debt, and/or medical payments can disrupt balance, but that's ok. Remember bottom line: avoid spending more than you earn.

Tips and Strategies

Budget Adjustment

- Your budget is a plan - open to adjustment as conditions change. Be sure your budget is realistic.
- 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

Pay Yourself First & Save

- Create an emergency fund (should be able to cover three to six months of living expenses)
- 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 to identify repetitive expenses
- Develop a more frugal 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 online or nearby
- **Convenience** – be sure the institution provides service to you in a format with which you are comfortable
- **Interest rates & types of available accounts** – look for accounts with the highest Annual Percentage Yield (APY) for savings accounts and the lowest Annual Percentage Rate (APR) for credit products
- Be sure your institution is federally insured – FDIC for banks



Ways to Save Money



Setting Financial Goals

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

Saving Tips and Checklist

- Share living expenses with one or more roommates
- Home brew coffee (save \$2 - \$5 per day)
- Bring lunch to work (Save \$500 per year)
- Eat out fewer times each month (Save up to \$500 per year)
- Use a grocery shopping list and stick to it
- Car pool or use public transportation
- Enjoy entertainment at home
- 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
- Plan gift-giving well in advance
- Keep your car engine tuned and car tires inflated to their proper pressure (you may save up to \$100 a year in gas)
- Shop for the lowest gas prices
- Eliminate credit card balance

Control Everyday Expenses

Small purchases add up to large expenses over time

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

Budgeting 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 = \$ _____

Debt Payments

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

Medical

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

Variable Expenses

Food, Clothing, and Personal

Groceries \$ _____
Laundry/Dry cleaning \$ _____
Dining out \$ _____
Child care \$ _____
Entertainment \$ _____
Pet care \$ _____
Haircut/Beauty care \$ _____
Clothing/Shoes \$ _____
Vacation(annual cost/12) \$ _____
Other \$ _____
Subtotal = \$ _____

Total Monthly Expenses

Saving \$ _____
Housing \$ _____
Transportation \$ _____
Debt Payments \$ _____
Medical \$ _____
Food, Clothes & Personal \$ _____

Total Monthly Expenses \$ _____

Budget Review

Total Monthly Income \$ _____

Total Monthly Expenses \$ _____

Surplus/Deficit \$ _____