

# BUDGETING.

# Budgeting

A **budget** is a written record of income and expenses during a specific time frame

# Why budget?

- Helps you reduce the anxiety of not knowing whether you have enough money to pay your bills when they are due
- Gives you a sense of control over your money, rather than letting money have control over you
- Helps you build assets that will improve your quality of life

# The key to a good budget

- Including as much information as you can, so that you can adequately prepare and plan
- Keep accurate records of your spending so you'll spot places where you can save money and know how much you can reasonably spend

# Tracking your spending

Can help you:

- Make sure that you are indeed following your budget
- Revise your budget so that it better fits the needs of your household
- Identify your spending tendencies
- Identify ways to reduce dependence on or pay off debt
- Identify ways to save money for future financial goals

# Methods

## Save Receipts

- Label and sort receipts by expense categories determined in your budget

## Maintain Daily Spending Journal

- Log all of your expenses

## Checkbook Register

- Transfer the income and expenses recorded in your checkbook register to the appropriate categories in your budget worksheet

## Try it for one month

Some people find it hard to remember to save receipts or jot down every purchase they make, but tracking for even one month will help you get a handle on your spending habits and make it easier to create your budget

# Assessment

Review how much money you take in (income) and how much money you spend (expenses)

# Income

<b>INCOME</b>	<b>Projected</b>	<b>Actual</b>	<b>Difference</b>
Wages			
Child Support			
Investment Income			
Refunds/Reimbursements			
Other			
<b>Total</b>			

# Expenses

<b>HOME EXPENSES</b>	<b>Projected</b>	<b>Actual</b>	<b>Difference</b>
Mortgage/Rent			
Homeowners/Renters Insurance			
Property Taxes			
Home Repairs/Maintenance			
Home Improvements			
Other			
<b>Total HOME EXPENSES</b>			

<b>UTILITIES</b>	<b>Projected</b>	<b>Actual</b>	<b>Difference</b>
Electricity			
Water and Sewer			

# Important note

Writing down *all of your expenses*, even those that seem insignificant, is a helpful way to track your spending patterns, identify necessary expenses, and prioritize the rest.

# Total

The next step in creating your budget is to total all of your expenses and subtract them from your total income.

MONTHLY SUMMARY	Projected	Actual	Difference
<b>Total Income</b> (line A from above)			
<b>Total Expenses</b> (add lines B,C,D,E,F,G,H,I,J, & K)			
<b>NET</b>			

# Income and expenses are equal

- You might be living paycheck to paycheck
- Cut expenses and develop a savings plan in case of emergencies or unexpected expenses

# Using credit

If you're using **credit** to survive and paying only minimums each month, you may need to talk to a non-profit counseling agency:

- [http://www.nfcc.org/FirstStep/firststep\\_01.cfm](http://www.nfcc.org/FirstStep/firststep_01.cfm)
- [http://www.justice.gov/ust/eo/bapcpa/ccde/cc\\_approved.htm](http://www.justice.gov/ust/eo/bapcpa/ccde/cc_approved.htm)

# Money leftover

You are doing a great job of managing your expenses

# Suggestions for leftover money

- Open a savings account
- Set up automatic transfers have a portion of your paycheck automatically deposited in your savings account with direct deposit
- Investigate whether your employer offers a 401(k) or other employee matching savings plan

# If your total is negative

If your total is negative and your expenses are more than your income, you need to make some adjustments immediately

# Adjustments

- Analyze and tweak your budget to see where you can cut expenses
- Call your utility, phone, cable, cell phone providers - there may be ways to cut those bills
- Consider increasing your income with a second part-time job or by working overtime

# Flexibility

- A budget will change from month to month, and will require monthly review
- Don't be afraid to make adjustments as needed
- Cost overruns in one category of a budget should be accounted for or prevented in the next month

# Tips to help you stay on track

- Try to make budgeting a part of your daily routine
- Start your budget at a time when it will be easy to follow and stick with the plan (like the beginning of the month)
- Distinguish between expenses that are “wants” and expenses that are “needs”
- Find a budgeting system that fits your needs

# Different budgeting systems

- Paper and pencil
- Spreadsheet software (Microsoft Excel)
  - Excellent for complex budgets and planning
- Money management software (Quicken, Microsoft Money, Mvelopes)
  - Categorize past expenses and display monthly reports
- Cash Envelopes
  - Money can easily be calculated by counting money in each envelope

# Tips to decrease spending

- Carry only small amounts of cash in your wallet so you will not spend it
- Control your use of credit cards
- Buy only what you need, do not buy things just because they are on sale
- Use coupons to save money
- List your financial goals and place them in your wallet as a reminder

# More tips

- Use a grocery list to prevent impulse buying
- Take your lunch to work instead of eating out
- Shop around to get the best deal (cars, appliances, insurance, etc.)
- Pay your bills on time to avoid late fees and extra finance charges

# Tax credits

- Earned Income Tax Credit
- Child Tax Credit
- Credit for Child and Dependent Care Expenses
- Education Credit

More information is available at [www.irs.gov](http://www.irs.gov) or by calling 1-800-829-3676 or 1-800-829-1040

“Our future is determined by  
what we do today.”

-Anonymous

# Thank you!

If you would like the electronic version of the Monthly Budget, email us at:

[MarketingDepartment@ChemicalBank.com](mailto:MarketingDepartment@ChemicalBank.com)