

## BUDGETING BASICS

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Money is a part of our life every day. What we wear, what we eat, where we live, and the fun things we do are only a few money related decisions we make.

For some people, having a million dollars wouldn't be enough to satisfy their wants. Millions of other people manage to pay their bills, save for the future, and enjoy life while still living within their income. Managing money takes time and effort.

The way you spend or save money today will help determine what you have and whether you can pay your bills in six months, a year, or many years from now. For example, if you spend your money as fast as it comes in, you may find yourself in debt when unplanned expenses occur.

Do you have control over how you spend money? Can you live within your income — meeting expenses and putting some money aside for emergencies, unanticipated expenses, and to meet long-term goals?

Budgeting is a way to get the most out of your dollars. It is not just about saving money or being a tightwad or doing without. Budgeting is about deciding where your money will go and making a spending and savings plan to achieve your financial goals.

## MONEY MANAGEMENT SKILLS

No one is born with natural money management skills. You may have learned some money management skills from your family, but you may want to manage your money differently than your parents managed their money. You also may have learned some money management skills at school or through life experiences. Developing money management skills takes time, practice, and patience.

## BUDGETING

If you run out of money before all your expenses are paid each month, you are not alone. While people work hard to earn an income, they often do not work at planning how income will be spent. There are steps you can take to make a budget work for you. The basic steps in budgeting include:

1. Track how your money is spent for one month.
2. List all income for the month.
3. Compare expenses to income.
4. Determine what changes you can make to achieve your goals.
5. Make a spending and savings plan.
6. Use your spending and savings plan.
7. Review your plan as well as your income and expenses periodically, adjusting as necessary.

## GETTING STARTED

### 1. Get organized.

- a. Get your bills and financial records together. Have a designated spot where bills are placed when they arrive. If it is a paper bill, use a drawer, box, basket, or file. If it is an electronic notice, consider creating an email account just for bills. Review your bills regularly and note the date the bill should be paid. If you are going to mail the payment, the date noted should be four or five days before the due date (to allow the payment to arrive before the due date and avoid a late fee). If you are going to pay electronically, allow enough time for the payment to be received before the due date.
- b. After paying a bill, mark it “paid” and put it in large envelope, box, or file marked “Paid bills.” Keep receipts for cash payment of bills in the same place.

### 2. Track spending.

- a. To get a realistic picture of how you spend your money, keep a folded sheet of paper or small notebook with you at all times to track all of the money you spend for at least a week. Tracking your spending for an entire month will help you learn even more.

### 3. Record spending.

- a. Record your spending on the budget expense worksheet, adding categories if necessary to fit your spending pattern.

### 4. Record all income on the income worksheet.

### 5. Compare expenses to income.

- a. If your expenses are more than your income, look for ways you can cut. Determine what expenses are absolutely necessary, such as housing, utilities, and food.
- b. Decide which other expenses can be cut to meet the necessary expenses.
- c. Look for ways you can increase your income.
- d. Consider a combination of the two.

### 6. Make a budget (spending and savings plan) for next month.

- a. Fill in planned expenses and expected income on budget sheet.
- b. As it is received, record income on income sheet and monthly calendar.
- c. As bills arrive, list them on the monthly calendar on the date they should be paid. Also record other monthly expenses if no bill is received (such as rent).
- d. Plan what bills and expenses will be paid out of each paycheck or other source of income, as well as how much of the income must be saved to pay expenses later in the month.

- 7. At the end of the month, subtract expenses from income and determine if you have stayed within your budget.**
- 8. Review expenses and income to determine what needs to be changed. Do you need to cut some expenses or increase income?**

Don't be discouraged. The first few months you try to follow your budget will be a learning experience. You may need to make changes in your budget. Remember, a budget is a guideline for spending and saving money. It helps you identify where your money goes and helps you plan how to use your money to get the things you need and want.

## ACTIVITY: TRACKING YOUR DAILY SPENDING

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Tracking your daily spending helps you see where your money goes. One easy way to do this is to take a sheet of paper and fold it in half three times. This will give you eight sections. Write the days of the week on seven sections, and “totals” on the last section. Keep it in your pocket or purse, and every time you spend money, write down how much and what it was spent on. Be sure to record purchases made in cash and by check, credit card, or debit card. Record weekly totals and transfer to your budget worksheet.

Other methods to track your spending include carrying a small notebook to record expenditures, or saving receipts and writing on them what you purchased.

Track your spending for a month to get a good picture of where your money goes. Ask each family member to participate in tracking their spending to get a total picture of the family’s spending.

Dates: \_\_\_\_\_ to \_\_\_\_\_

MONDAY	TUESDAY	WEDNESDAY	THURSDAY
FRIDAY	SATURDAY	SUNDAY	TOTALS

## ACTIVITY: BUDGET

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Month: \_\_\_\_\_ Year: \_\_\_\_\_

**Income (Take home pay and all other income):** \$ \_\_\_\_\_

<b>Expenses:</b>	<b>Planned</b>	<b>Spent</b>
Saving	\$ _____	\$ _____
Housing and utilities	_____	_____
Transportation	_____	_____
Food	_____	_____
Other debts	_____	_____
Insurance	_____	_____
Clothing	_____	_____
Entertainment	_____	_____
Other	_____	_____

**Total Expenses:** \$ \_\_\_\_\_

**Income Minus Expenses ( + or -):** \$ \_\_\_\_\_

**Available for Savings and to Reduce Debt:** \$ \_\_\_\_\_

## ACTIVITY: BUDGET (INCOME)

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Month: \_\_\_\_\_ Year: \_\_\_\_\_

TAKE HOME PAY	WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5	MONTHLY TOTAL
Job 1	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Job 2	_____	_____	_____	_____	_____	_____
Child Support	_____	_____	_____	_____	_____	_____
WIC	_____	_____	_____	_____	_____	_____
TANF	_____	_____	_____	_____	_____	_____
Food Assistance Program	_____	_____	_____	_____	_____	_____
Other Income	_____	_____	_____	_____	_____	_____
<b>Totals</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>

## ACTIVITY: BUDGET (EXPENSES AND SAVINGS)

Month: \_\_\_\_\_ Year: \_\_\_\_\_

	PLANNED	SPENT					MONTH TOTAL
		WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5	
SAVINGS	\$ _____						
HOUSING & UTILITIES							
Rent/mortgage	_____						
Gas, Electric	_____						
Water, Sewer, trash	_____						
Telephone	_____						
Cable	_____						
Home supplies	_____						
TRANSPORTATION							
Auto payments	_____						
Gas	_____						
Maintenance, repair	_____						
Other	_____						
FOOD							
Groceries	_____						
Eating out	_____						
School lunches	_____						
OTHER DEBTS							
Loans	_____						
Credit Card payments	_____						
Other	_____						
INSURANCE							
Auto	_____						
Life	_____						
Health	_____						
Homeowner/Renter	_____						
CLOTHING							
New/used	_____						
Laundry	_____						
ENTERTAINMENT							
Movies/videos	_____						
Other	_____						
OTHER							
Medical	_____						
Child Care	_____						
Personal Care, supplies	_____						
Personal Allowances	_____						
Gifts/contributions	_____						
Tobacco, alcohol	_____						
Other	_____						
Other	_____						
TOTAL EXPENSES							

## ACTIVITY: CALENDAR OF MONTHLY INCOME & EXPENSES

Month \_\_\_\_\_ Year \_\_\_\_\_

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	
							Income Bills to Pay
							Income Bills to Pay
							Income Bills to Pay
							Income Bills to Pay
							Income Bills to Pay



## ACTIVITY: YEARLY CALENDAR OF EXPENSES

Some expenses do not occur every month, but rather at specific times of the year. Examples include holidays, back to school expenses, car tags and taxes, insurance, and birthdays.

Knowing when these expenses are due can help you plan how to pay for them. One method is to save for them each month.

List these expenses that you expect for your family. Record the amount under the month or months when the expense occurs. Divide the yearly cost by 12 to see how much to “set aside” each month. Then, total the amount that needs to be “set aside” each month for all of these expenses. It is a good idea to put this money elsewhere, such as in a savings account, so that it will be available when needed to pay these expenses (and not used for other things).

Year: \_\_\_\_\_

ITEM	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YEARLY COST	AVERAGE MONTHLY AMOUNT
TOTAL AMOUNTS														

Set Aside Each Month

## ACTIVITY: DOES YOUR MONEY HAVE WINGS?

Does it seem like money flies out of your pocket or bank account without you noticing where it is going? Purchases of even small items can add up to quite a few dollars over a period of time.

Check the items your family spends money on. Total how much you spend each year. Look for ways you can save. This is just a sample; you may want to add to the list.

	COST	HOW OFTEN	MONTHLY COST	YEAR COST
<input type="checkbox"/> Soda	\$		\$	\$
<input type="checkbox"/> Candy Bar				
<input type="checkbox"/> Movies				
<input type="checkbox"/> Snacks				
<input type="checkbox"/> Tobacco				
<input type="checkbox"/> Alcohol				
<input type="checkbox"/> Eating out				
<input type="checkbox"/> Music purchases				
<input type="checkbox"/> Lottery tickets				
<input type="checkbox"/> Bingo				
<input type="checkbox"/> Overdraft charges				
<input type="checkbox"/> Late payment charges				
<input type="checkbox"/> Caller ID & other phone charges				
<input type="checkbox"/> Cell phone charges				
<input type="checkbox"/> Long distance phone calls				
<input type="checkbox"/> Cable TV extras				
<input type="checkbox"/> Garage sales				
<input type="checkbox"/> Auctions				
<input type="checkbox"/> Book and video clubs				
<input type="checkbox"/> Health club				
<input type="checkbox"/> Magazine subscriptions				
<input type="checkbox"/> Rent-to-own				
<input type="checkbox"/> Other				
<input type="checkbox"/> Other				
<input type="checkbox"/> Other				

Small amounts add up in a year. Before spending ask yourself:

1. Do I "need" this expense or item? Or is it a "want" I could do without?
2. How long did I have to work to pay for it?
3. Could the money be better spent on something else such as building savings or reducing bills?

What could you cut down or cut out? \_\_\_\_\_

How much would you save each month \$ \_\_\_\_\_ or year \$ \_\_\_\_\_?

Managing your money is like managing your life. You have to take an active role and make good decisions. If you don't, you will wonder how it slipped away without you noticing.