

# BUDGET is Not a Four Letter Word!

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Homefront to Heartland

empowering women in agriculture  
and small business

April 29, 2011



## Why Budget?

If you don't know how much money you have coming in and where it is going, your road to financial success will be a difficult one.

# **70% of American families live Paycheck to Paycheck**

**Don't be a member of this  
group.**

**Start today – Get control  
of your financial future**



# What a BUDGET will do for You

- \$ Allow you to learn how finances work in your life
- \$ Enable you to make good decisions about how you use money
- \$ Make you aware of where your money is going
- \$ Give you a way to save for specific items
- \$ Help you to live within your income- or decide if you need to increase it

# What a **BUDGET** will do for You

- Show you where to cut spending
- Provide methods for keeping good records of spending
- Allow you to spend money without feeling guilty
- Create a way to measure your progress
- Improve communication with other people

# Step 1: Assess Needs and Wants



Make a realistic list of needs and wants

You can't enjoy your new stereo if you're living on cereal and baloney!

# Step 1: Assess Needs

Make a realistic list of needs and wants

## Needs

Food

Clothing

Housing

Transportation

Medicines

Insurance

Child Care

## Wants

I-Pad

Designer clothes

Fancy House

New Car

Big TV

Boat

Titan Tickets

## Step 2: Set Goals

Make sure your goals are SMART...

Specific- such as “I need new tires”

Measurable- “I’m going to save \$40/ month”

Attainable- make sure your goal is realistic

Relevant- make sure your goals are important to you & the things you value

Time related- set goals for a specific day/month/ or year

## Step 3: Make a Plan

Put things in Priority Order- Imagine the actions you need to take to get from where you are now to where you want to be.

Goals are dreams with deadlines! Post your goals where you will see them frequently. Find a picture to represent your goals. Make them happen.

# PRIORITIZING GOALS

1. Build an emergency savings of \$\_\_\_\_\_.
  - A. Put \$50.00 from each paycheck for 5 months.
  - B. Use OVERTIME or BONUS \$\$ to build more quickly.



2. Build a retirement account.  
Put \$50.00 (automatic deduction)  
401(k)  
Roth IRA

# Two Parts of Money Management

- The money that comes in - **INCOME**
- Regular take home income
- The money that goes out – **SPENDING**
- Must know what you are spending to develop a plan for managing your money.
- Three type of expenses

# Making your Money

How much money comes in each month?

Income has two parts:

- 1) Gross income- total you actually earn
- 2) Net income (take home pay) - what is left over after your employer takes out deductions for taxes, Social Security, Medicare, and other needs.

# Three Types of Expenses

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- **Fixed expenses**
- **Flexible (variable or controllable) expenses**
- **Periodic or occasional expenses**

# Plan spending

- **Fixed expenses**

- Housing
- Credit payments
- Auto and other payments
- Family care
- Insurance
- Cable/Satellite TV

- **Flexible/Controllable expenses**

- Savings
- Clothing
- Food
- Utilities/Telephone
- Household expenses
- Personal expenses
- Transportation
- Entertainment

# Plan spending

- **Periodic/Occasional expenses**

- Property taxes
- Insurance
- Auto tags and registration and maintenance
- Gifts/Holiday expenses
- School
- Vacations



# Track Your Spending

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Why is this important?

Do you know where your money goes?

# How Good is Your Memory?



# How Good is Your Memory?

- Bed
- Rest
- Tired
- Wake
- Slumber
- Night
- Awake
- Eat
- Comfort
- Sound
- Snore
- Dream



**How Did You Do?**



## Track spending to stop money leaks

- Check register/stubs/canceled checks
- Receipt method
- Wallet tracker
- Bills and invoices
- Credit Card statements
- Calendars, diaries, pocket notebooks

# After tracking spending – What's next?

Find a bookkeeping method that works for you

## Track Your Spending Worksheet



Dates	Planned	Spent	Planned	Spent	Planned	Spent
<b>Housing</b>						
Rent/Mortgage						
Second Mortgage						
Insurance						
<b>Utilities</b>						
Telephone						
Natural gas/heating oil						
Electricity						
Garbage pickup						
Water/sewer						
Other						
Other						
<b>Credit payments</b>						
Credit payments						
Card						
Card						
Card						
Card						
Loan						
Loan						
<b>Autos &amp; other vehicles</b>						
Auto loan/lease payment						
Auto loan/lease payment						
Boat/RV loan payment						
Auto/vehicle insurance						
<b>Family care</b>						
Child support/alimony						
Child/elder care						
<b>Personal insurance</b>						
Life						
Health						
Disability						
Long-term health						
<b>Other fixed expenses</b>						



Agricultural Extension Service  
The University of Tennessee



SP613-B

# Tools for Money Management

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## Saving-Spending Plan Worksheet

*Dena Wise, Assistant Professor  
Family & Consumer Sciences*

**Instructions:** Use this worksheet with "Savings/Spending Plan Instructions" (factsheet SP 613-A). Use a pencil or erasable pen to complete the worksheet so you can make changes in your saving/spending plan as needed.

- Step 1: Calculate monthly net income.**
- Step 2: Determine monthly amount needed for periodic expenses.**
- Step 3: Estimate monthly fixed expenses.**
- Step 4: Estimate monthly controllable expenses.**
- Step 5: Compare income and expenses and make adjustments.**

### Step 1: Monthly Net Income

Net monthly household wages (after tax withholding and other deductions)	
Source:	\$
Source:	\$
Source:	\$
Source:	\$
Source:	\$
Public assistance/food stamps	\$
Unemployment/disability	\$
Child support/alimony	\$
Social Security/retirement	\$
Other	\$
Other	\$
Total monthly net income	\$ 0

# Periodic Expenses

Periodic expenses due yearly (or quarterly). Examples include:

- Car registration / License plate renewal
- Property taxes and insurance
- Holiday / birthday gifts and expenses

## To Add Periodic Expenses into Your Monthly Budget:

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1. Divide the total by 12
2. Set that amount aside during each monthly budget until the expense is due

# PERIODIC/OCCASIONAL EXPENSES

Car Maintenance / Repairs

\$500

License Tags

\$100

Insurance Payments

\$600

Gifts / Holidays

\$800

School

\$0

Taxes

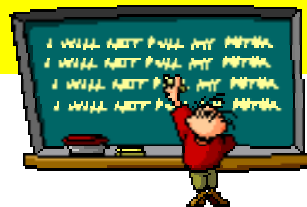
\$200

Magazine Subscriptions

\$0

Vacations

\$200



$\$2400 / 12 = \$200/\text{month}$

## Step 2: Monthly amount needed for periodic expenses

These are expenses that come up once or twice a year. Fill in the estimated costs under the month they are due. Do not include taxes withheld from your paycheck, but do include estimated tax payments you make to the IRS. Add your total yearly periodic expenses and divide by 12 to determine the monthly portion.

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Property, income, other taxes (not deducted from paycheck)													0
Insurance (home, auto, life, health, disability, etc.)													0
Auto servicing & tires													0
Driver's or other licenses													0
Auto, boat, RV registration													0
Club and organization dues													0
Birthday gifts and expenses													0
Holiday gifts and expenses													0
Tuition and educational expenses													0
Vacation													0
Home furnishings & appliances													0
Home maintenance & repairs													0
Other													0
Other													0
<b>Total</b>	0	0	0	0	0	0	0	0	0	0	0	0	0

Monthly amount needed for periodic expenses = \$ 0 /per month  
(Total for year / 12)

# Fixed Expenses

- Usually occur monthly
- Fixed expenses stay in the same range each month and generally can't be changed by a simple change in spending habits
- Examples are mortgage or rent, basic utilities such as phone and water, insurance

### Step 3: Monthly fixed expenses

Housing	
Rent or mortgage	\$
Second mortgage	\$
Insurance*	\$
Utilities	
Telephone	\$
Natural gas/heating oil	\$
Electricity	\$
Garbage pickup	\$
Water/sewer	\$
Other:	\$
Other:	\$
Credit payments	
Card:	\$
Card:	\$
Card:	\$
Card:	\$
Loan:	\$
Loan:	\$
Automobiles and other vehicles	
Auto loan/lease payment	\$
Auto loan/lease payment	\$
Boat/RV loan payment	\$
Auto/vehicle insurance***	\$
Family care	
Child support/alimony	\$
Child/elder care	\$
Personal insurance	
Life**	\$
Health**	\$
Disability**	\$
Long-term health**	\$
Other fixed expenses	
	\$
	\$
	\$
<b>Total monthly estimated fixed spending</b>	<b>\$ 0</b>

\* Monthly amount (1) not included in your mortgage payment or (2) not included as a periodic expense (Step 2).

\*\* Monthly portion of premiums (1) not paid by employer, (2) not deducted from your paycheck or (3) not listed with your periodic expenses (Step 2).

\*\*\* Portion not included in periodic expenses (Step 2).

# Controllable Expenses

- May be either monthly or occasional
- Controllable expenses can be changed (to some degree) by a change in spending habits
- Examples are food (groceries and dining out), gas and transportation, entertainment (movies, concerts, etc.)

**Step 4: Monthly controllable expenses**

<b>Savings</b>	
Long-term savings	\$
Emergency fund	\$
Monthly portion of periodic expenses	\$
<b>Food</b>	
Groceries	\$
Meals at work	\$
Meals at school	\$
Other food eaten out	\$
<b>Household expenses</b>	
Maintenance & cleaning supplies	\$
Outside upkeep & lawn	\$
<b>Personal expenses</b>	
Medical Care, Prescriptions, OTC medications, vitamins	\$
Health club or other fees	\$
Personal care items	\$
Clothing purchases	\$
Clothing — laundry & dry cleaning	\$
Diapers or diaper service	\$
Cable	\$
Internet service	\$
Cell phone	\$
Charity/gifts/special expenses*	\$
<b>Transportation</b>	
Gas	\$
Auto repairs and maintenance	\$
Other transportation expenses (bus fare, parking, etc.)	\$
<b>Entertainment</b>	
Travel***	\$
Books & magazines	\$
CDs & music	\$
Movies, clubs or other activities	\$
Other entertainment	\$
<b>Other monthly controllable expenses</b>	
	\$
	\$
	\$
<b>Total monthly estimate of controllable spending</b>	\$ <b>0</b>

**Step 5: Compare income and expenses and make adjustments.**

<b>Net monthly income</b>	(+) \$	0
<b>Estimated savings/spending</b>		
Fixed	\$	0
Controllable	\$	0
Total expenses (fixed and controllable)	(-) \$	0
<b>Balance</b>	\$	<b>0</b>



You Can Save Money

**No Matter What**



# How much do I need in an emergency fund?

What amount do you need?



# How much to save?



- If you have high level of credit to pay:
  - 1-2 months' net income
- If you have low level or no credit to pay:
  - 3-6 months' net income
- PLUS savings for anticipated major purchases

# Suggested reserve levels



<b>If your Gross Income Is:</b>	<b>3 Month Reserve is Approximately:</b>	<b>6 Month Reserve Equals:</b>
<b>\$20,000</b>	<b>\$3,800</b>	<b>\$7,600</b>
<b>\$25,000</b>	<b>\$4,000</b>	<b>\$8,000</b>
<b>\$30,000</b>	<b>\$4,900</b>	<b>\$9,800</b>
<b>\$35,000</b>	<b>\$5,400</b>	<b>\$10,800</b>
<b>\$42,148</b>	<b>\$6,500</b>	<b>\$13,000</b>
<b>\$50,000</b>	<b>\$7,700</b>	<b>\$15,400</b>
<b>\$65,000</b>	<b>\$10,000</b>	<b>\$20,000</b>
<b>\$80,000</b>	<b>\$12,400</b>	<b>\$25,000</b>

# Trimming Expenses

- \$ Pack lunch for work or school
- \$ Shop for store or generic brands
- \$ Use the public library
- \$ Choose free recreational activities
- \$ Check resale shops or garage sales for bargains
- \$ Eat out less often
- \$ Handle home maintenance and repairs yourself
- \$ Use public transportation when possible
- \$ Take advantage of free activities

# Savings Tips that Work!

- Use payroll deductions
- Save “bonus” income – tax refunds, gift money
- Save coupon money
- Collect loose change
- Save lunch money – bring your lunch
- Save money on sales
- Have a nothing week

# Pay Yourself First

Make your “savings bill” part of your spending plan, just like rent or utility bills.

When you pay your other bills, pay your savings bill by **depositing** money in your savings account.

# Pay Yourself First

- \$200 a month for 1 year - \$2,400
- \$100 a month for 1 year - \$1,200
- \$20 a week for 1 year - \$1,040
- \$5 a day for 1 year - \$1,825
- \$2 a day for 1 year - \$730

# SAVINGS

**It's never impossible to  
save money, no matter  
how small the amount.**



# Financial Survival Depends on

Income exceeding expenses

If expenses exceed income, there's two solutions:

- **Increase income**
- **Decrease expenses**

## Developing a BUDGET will show you...

- \$ What money is coming in
- \$ How much you spend on the basic needs - fixed and variable expenses
- \$ How much you need to set aside for periodic or unexpected expenses
- \$ Where you can cut spending
- \$ What is left over for your wants

## BUDGET is Not a Four Letter Word

Be positive

Understand the process

Decisions must be made

Goals guide the decisions

Evaluate and make changes

Track spending to stay on course

