



EVERY BUDGET YOU'LL EVER NEED

A W O R K B O O K

BROUGHT TO YOU BY OU FEDERAL CREDIT UNION

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INTRODUCTION

If you've never gone through it before, making a budget can seem daunting. You spend money on a lot of different things, and the costs can vary tremendously from month to month, it may seem impossible to record expenses with clarity. Yet making and sticking to a budget is one of the best and easiest ways to keep track of your money.

A budget provides a common frame of reference for your whole family to talk about money. It's a good financial habit to model for your children and it will actually decrease how often your family gets "stressed out" about money.

Contrary to popular belief, making a budget is not about discipline. It's about certainty. All you want to get out of a budget is the assurance that you're doing the right thing. You do the math beforehand, so when you go out in the world and are bombarded with messages encouraging you to spend recklessly, you can resist them. You don't have to wonder whether it's worthwhile to buy a new TV or a daily coffee drink. You know with certainty what you can and can't afford, and how you've decided to allocate your income.

The chapters in this book are laid out in order for a reason. The objective is for you to get an accurate picture of where you are, then work your way through financial goals, and finally set up a series of budgets that will help you plan for everyday life, special events and occasions, as well as retirement and emergencies. It's helpful to go through each of these with an eye on your current budget to make sure the goals you're setting are realistic.

Take your time and go through this book carefully. The dollar you save will definitely be your own!



THE DESCRIPTIVE BUDGET

The first thing you need to create is a descriptive budget. This is where you write down where you're currently spending your money. If you don't know how much you're spending on a category, just take what you did last week and multiply it by 4. For expenses you pay yearly, divide it by 12 for easy budgeting. That will give you a pretty good idea of your spending. You can also use envelopes to store receipts by category for a month to get a much more accurate idea of your spending, or sit down with your credit card and credit union account statements and records to sort this out. Once you get this done, you'll have a much better idea of where you need to cut. Be sure to take careful note of recurring expenses -- we'll deal with them more carefully later.



HOUSING EXPENSES	COST	RECURRING?
Rent/House Payment		
Gas/Electric		
Water/Sewage/Other Utilities		
Property Taxes/HOA Fees		
Homeowners Insurance		
Subtotal		
TRANSPORTATION	COST	RECURRING?
Car Loan Payment		
Gas		
Scheduled Maintenance (Tires, Oil Change, etc.)		
Bus/Cab Fares		
Auto Insurance		
License/Registration/Misc. Fees		
Subtotal		
LIVING EXPENSES	COST	RECURRING?
Grocery		
Medical Bills		
Health Insurance		
Subtotal		
LIVING EXPENSES	COST	RECURRING?
Grocery		
Medical Bills		
Health Insurance		
Subtotal		
ENTERTAINMENT	COST	RECURRING?
Meals Out (Yes - Even Coffee!)		
TV Service		
Activities (Movies, Concerts, Greens Fees)		
Subtotal		
Other Items/Misc.		
TOTAL SPENDING		

FINANCIAL GOALS

Time and again, experts report that the best strategy for sticking to a budget is to keep focused on your goals. Do you want to get out of debt? Save for retirement? Contribute to your children's college funds? Take care of your parents in their old age? Take a really nice vacation?

The money you save isn't good in and of itself. Your money doesn't do anything for you while it is sitting in your wallet or stuffed in a mattress. The money you save is good because it lets you do something you want to do. Focusing on goals is the difference between thrift and greed.

Take a few minutes to write down some goals. We'll start with short-term goals. These are those you hope to accomplish in the next six months. Keep these sensible, modest, and definite. You want to pay off your car loan? That's a measurable goal. You want to save more for retirement? That's less measurable. The more carefully you define your success, the easier it will be to make a plan for it.

GOAL	ESTIMATED DOLLAR AMOUNT

Now, let's look at some intermediate financial goals. These can be a little less cost-specific. It's OK to round to the nearest hundred or thousand dollars, depending on the size of the goal. These are things you want to do in the next 3-5 years. Things like a large family vacation, a home improvement project or an emergency fund are realistic goals.

GOAL	ESTIMATED DOLLAR AMOUNT

Finally, pick two or three long-term goals. These are the “someday” ideas you dream about. Things like starting a small business, retiring, buying a vacation home and so on are good long-term goals. You may not have a specific dollar amount in mind, but it doesn't hurt to do a little research and come up with a rough idea.

GOAL	ESTIMATED DOLLAR AMOUNT



ACHIEVING YOUR GOALS

Now that you've got a dream, it's time to figure out how to tackle it. Use the worksheet below to tackle one of the goals you listed in the last exercise. If you're new to budgeting, it's not a bad idea to start small. Pick one of your short-term goals, and write the dollar amount on the line below:

\$ _____

Divide that by number by 6. That's how much you need to cut out of your monthly budget in order to achieve that goal in 6 months. Write that number on the line below:

\$ _____

This may seem like a lot of money, but remember that it doesn't all have to come from one place. You can get there by trimming bits and pieces from all over your budget. Let's work through an example:

Jane really wants to pay off her credit card. She braces herself and looks at her statement. Her balance is \$2,000. This is really important to Jane, so she wants to make this her biggest priority. She whips out her calculator and divides that balance by 6 - \$333.33. Still seems a little daunting, doesn't it?

Jane looks at her budget and notices that she's spending a lot of money on eating out. She gets lunch with her co-workers every day - usually at a cost of \$5. She could make her lunches at home for \$1. That's \$120 in a month, and she's a third of the way there. She's also spending \$120 on cable - something she can do without for a little while until she gets her credit card paid off. She trims down to a basic cable package, netting her an extra \$100 per month. She can't find anything else to cut in her budget, but she does have stacks of recent books and DVDs she bought over the years. If she can make an extra \$113 per month selling a few things, in 6 months, she'll have met her goal.

Then she can re-evaluate her budget. She can decide if she would rather have cable back and go back to eating lunches out, or if she'd rather keep the savings to work on some other goal. The sense of accomplishment from meeting her goals is hers to keep regardless.



We're going to turn to another budget sheet next. To get prepared for that, jot down a few ideas for places you can trim money from your current budget:

PROSCRIPTIVE BUDGET



The first budget we did was to develop an idea of where your money is going now. That's the first step in making sure the budget you set is realistic. In this budget, we're going to do some forward planning. First, write down every source of "liquid" income you have - this is every dollar you get that you can spend on things. Break it down by month.

Income	
2nd Job Income	
Spouse/Partner Income	
Investment Income	
Other Sources	
TOTAL	

Now, take the total you came up with above and put it on the top line on the right. Use the right-most column to keep a running total of how much you have left. Subtract every expenditure thereafter from that. This is a process called "top-down" budgeting. You figure out how much you can spend, then you figure out how you want to spend it. Put your goal at the top to keep focus on what's important to you.

BUDGET ITEM	COST	COMMENT
GOAL #1:		
Rent/House Payment		
Gas/Electric		
Water/Sewage/Other Utilities		
Property Taxes/HOA fees		
Homeowners Insurance		
Car Loan Payment		
Gas		
Scheduled Maintenance (Tires, Oil Change, etc.)		
Bus/Cab Fares		
Auto Insurance		
License/Registration/Misc. Fees		
Grocery		
Medical Bills		
Health Insurance		
Meals Out (Yes - Even Coffee!)		
TV/Internet		
Entertainment		
GOAL #2:		

THREE WAYS TO SAVE

There are three big ways to stretch your monthly budget. You can get more money, you can decrease your recurring costs or you can lower your unnecessary costs. That's it - there's no magic to it.

You can get more money in a couple of ways. You or your spouse can consider taking an additional job. You can rent out or sell things you don't need. Or you can look for sources of passive income, like rental property or stock investments.

Make a list of three places you could go for income right now:

Your recurring costs are probably a bigger portion of your budget than you realize - or want. Retailers love these because you don't think about paying it, you just do it. Lowering these costs might be the easiest way to get money for other things in your budget. You can always call your utility providers, cable companies, phone companies and others and ask for a lower rate. If you indicate you're thinking of leaving the service, many companies will offer better rates. You can also cancel services you don't need. If you pay for a streaming music service, you could turn it off for a few months. You could do the same with television. Pick your three biggest recurring costs and make it a priority to tackle them:

You can also work to lower your unnecessary costs. Simply put, this is money you're spending that you don't have to spend. This could be money spent on entertainment, impulse shopping, clothing or grocery items. List three things you could cut back on if you had to:

AN EMERGENCY BUDGET

What would you do if you lost a main source of income tomorrow? If you got sick or hurt, lost your job or had to quit due to a family crisis, what would you do? If you're like most people in this situation, the answer is go deeply into debt while trying to maintain your lifestyle, then spend an extended period of your life trying to pick up the pieces even after the crisis is over.

Disasters happen and they can happen to anyone. Being prepared for them helps prevent them from being considerably worse. By making a plan to cope before these things happen, you can prevent a disaster from turning into a financial crisis, too.

This is a "bottom-up" budget. Figure out what spending you absolutely cannot live without, and then total these costs. Multiply that number by 12 and you'll know how much money you'd need in an emergency fund to survive for a year.

ITEM	COST
MONTHLY EMERGENCY SPENDING:	

BIG EVENT BUDGET

If one of your dreams is a vacation, wedding or some other big event, you may be struggling to come up with a way to itemize those expenses. There are two approaches, each with pros and cons. You can start with a figure and make a budget (top-down), or you can build a dream and see how much it costs (bottom-up).

The top-down budget is best for things that have a fixed cost. If you've considered planning a wedding, you know that your costs will grow to fill the amount of money you have. The only way to keep that in check is to put an upper limit on what you're willing to spend.

The bottom-up budget is best for big dreams. Your trip to Europe has to include all the sights, sounds, and experiences to make it a once-in-a-lifetime experience. You don't want to set an upper limit on your dream. Building a bottom-up budget lets you put a real, tangible number on your dream.

Fortunately, you can do either one using the same worksheet! If you want to top-down budget, start from the top with your fixed amount and work down your list of priorities. If you want to bottom-up budget, start at the bottom and then add it all up at the top!

DREAM	COST

RECURRING EXPENSES

Recurring expenses are the tiny bites that devour your budget. It doesn't seem like much to pay \$15 a month here or \$5 a month there, but it adds up. That's money that you no longer have control over in your budget.

What's worse, if you set them up to automatically deduct from your checking account or credit card, you're never confronted with that decision again. You make it once, because the service sounds good that month. Then, every month, you're paying the same fee again and again.

That's not to say all of these expenses are bad - if you really get value from a membership club or similar program, go ahead and keep it. The important part is to be aware of these expenses. Keeping a list in one place lets you see them at a glance. That way, you can re-evaluate them on a regular basis. Write down on this sheet any recurring monthly payments you make, and add to them every time you get a new one.

EXPENSE	COST

RETIREMENT BUDGET



If you're like most people, you don't want to die on the job. You want to spend your golden years enjoying your hobbies, your family and your leisure. It can be helpful to build a separate budget with some estimates about your non-work sources of income (pension, retirement fund withdrawals, investment income, Social Security) and your changing expenses (having your house paid off, getting Medicare, less commuting, more travel).

Setting up an estimate of what your expenses will look like in retirement can really help you plan. A financial analyst might tell you about the rule of 400 - where you take your monthly expenses and multiply it by 400 to figure out what size nest egg you need to retire safely (the rule is based on getting a 4% return on your investment). This is the first step to making retirement a feasible goal instead of an abstract concept.

Use the worksheet below to make some preliminary estimates about the costs of your retirement spending. You don't need to be exact and you may have to do a little research to figure out your supplemental income sources. Since this is for planning purposes, it's OK to be a little inexact here.

INCOME	
Pension	
Investments	
Retirement Fund Return	
Supplemental Income	
EXPENSES	
Housing	
Insurance	
Taxes	
Medical Care	
Travel	
Charitable Giving	
Family Gifts	
Transportation	
Entertainment	
Grocery	
Utilities	
Hobbies	
Goal:	
Goal:	
Goal:	

SMALL BUSINESS BUDGETING



Small businesses have their own set of budget demands. The same principles apply, though, whether you're planning for a family or for a business. The only difference, here, is that the extra doesn't go into savings. It's just your profit. You still want to make a list of income streams and a list of expenses so you can see where you're earning and where you're losing.

INCOME	AMOUNT
Service:	
Service:	
Product Line:	
Product Line:	
Client Contract:	
Client Contract:	
TOTAL:	



EXPENSES	AMOUNT
Materials	
Labor	
Taxes	
Equipment	
Facility Rental	
Debt Service	
Consulting Fees	
Insurance	
Improvements in Business	
Shipping/Transportation	
Office Supplies	
Advertising	
Market Research	
Facility Utilities	
Other	
TOTAL:	

BUDGETING FOR COLLEGE STUDENTS

It's never too early to start building good financial habits. College is a time that many young people struggle with their finances. It can be very easy, in an atmosphere of limited oversight and lots of expenses, to get in over your head with credit card debt on top of the student loan debt you're already accumulating. Without much in the way of income, it can be difficult to dig yourself out of that hole. Better to start early by practicing good financial habits that keep you out of trouble.

Because income is very limited, it's best to budget top-down. Set yourself a living allowance for each month based upon your savings, gifts from parents and whatever income you can generate through part-time work. Divide it up as best you can between your essentials. The worksheet below can help!

ALLOWANCE TOTAL:	
Expenses:	
Books	
Grocery	
Transportation	
Technology Repair/Replacement	
Going Out	
Coffee/Energy Drinks	
Music	
Movies	
Decor Upgrades	
Video/Computer Games	
Wardrobe	
Other:	
Other:	
Other:	

BUDGETING FOR YOUNG PROFESSIONALS



Your first out-of-college job can be an intimidating time. You have a rush of new expenses: a professional wardrobe, a new car, a new place to live and the cost of a new routine. You've also got the specter of old expenses to deal with: student loan debt, any accumulated credit card debt and so on. You've also, perhaps for the first time in your life, got a bona fide stream of income. It can be easy to get overwhelmed with the changes. It can be even easier to let impulse purchases consume your entire paycheck while your debts continue building.

Don't take that first step! Stop and approach your new expenses methodically! Include space in your budget for saving for retirement, for goals and for paying down your student loans! Make yourself a budget with the worksheet below!

BUDGET ITEM	COST	COMMENT
Student Loan Payment		
Credit Card Payment		
Wardrobe		
Rent/House Payment		
New Furnishings/Appliances		
Gas/Electric		
Water/Sewage/Other Utilities		
Property Taxes/HOA Fees		
Homeowners Insurance		
Car Payment		
Gas		
Scheduled Maintenance (Tires, Oil Change, etc.)		
Auto Insurance		
License/Registration/Misc. Fees		
Grocery		
Medical Bills		
Health Insurance		
Meals Out (Yes - Even Coffee!)		
TV/Internet		
Entertainment		
Goal #2:		