Budgeting 101
Creating a Personal Budget
What is a budget?

“A budget is a written record of the money that flows in and out of your household* every month.”

* or pocket!
Why budget?

Budgeting is the first step on the road to financial success. Controlling your day to day finances allows you to do the things you want to do.
Balancing income & expenses

• Start budgeting now – don’t wait until you’re financially “on your feet”, to begin to budget

• A budget is nothing more than the activity of balancing income vs. expenses.
How to start?

If you haven’t budgeted before, or feel at this point don’t have a good idea of where your money is going . . .

For the next month, write down EVERYTHING you spend money on and anytime you receive money.
## Monthly Tracking Sample

<table>
<thead>
<tr>
<th>DATE</th>
<th>ITEM</th>
<th>INCOME</th>
<th>EXPENSES</th>
<th>BALANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/1</td>
<td>BALANCE</td>
<td></td>
<td></td>
<td>$348.00</td>
</tr>
<tr>
<td>3/1</td>
<td>RENT</td>
<td></td>
<td>$(250.00)</td>
<td>$98.00</td>
</tr>
<tr>
<td>3/2</td>
<td>PAYCHECK</td>
<td>$887.00</td>
<td></td>
<td>$985.00</td>
</tr>
<tr>
<td>3/5</td>
<td>TAXES</td>
<td></td>
<td>$(289.00)</td>
<td>$696.00</td>
</tr>
<tr>
<td>3/7</td>
<td>EAT OUT</td>
<td></td>
<td>$(21.00)</td>
<td>$675.00</td>
</tr>
<tr>
<td>3/15</td>
<td>PHONE BILL</td>
<td></td>
<td>$(70.00)</td>
<td>$605.00</td>
</tr>
<tr>
<td>3/17</td>
<td>MUSIC - CDS</td>
<td></td>
<td>$(36.00)</td>
<td>$569.00</td>
</tr>
<tr>
<td>3/18</td>
<td>CAR REPAIRS</td>
<td></td>
<td>$(27.00)</td>
<td>$542.00</td>
</tr>
<tr>
<td>3/19</td>
<td>GROCERY</td>
<td></td>
<td>$(97.00)</td>
<td>$445.00</td>
</tr>
<tr>
<td>3/22</td>
<td>CLOTHES</td>
<td></td>
<td>$(75.00)</td>
<td>$370.00</td>
</tr>
</tbody>
</table>
Creating a personal budget

• Track your expenses;
• Figure out the amount of money you’re spending;
• What do you have to spend?
• What are you spending that is not a necessity?
There are two types of expenses -

• Essential expenses – HAVE to have in order to live
• Non-essential expenses – DON’T HAVE to have in order to live
Essential – Fixed - Expenses

- Mortgage or rent
- Insurance – auto & home
- Car payments
- Taxes
- School loans
Essential – Variable - Expenses

- Car maintenance
- Gas
- Food
- Electricity, heat
- Phone
Non-Essential Expenses

- Clothing*
- Books
- Movies
- Video games
- Other items, you want, but don’t need
Some possible expenses . . .

<table>
<thead>
<tr>
<th>Category</th>
<th>Subcategory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing</td>
<td>Phone</td>
</tr>
<tr>
<td></td>
<td>Magazine</td>
</tr>
<tr>
<td></td>
<td>subscriptions</td>
</tr>
<tr>
<td></td>
<td>Electricity</td>
</tr>
<tr>
<td>Gas/Electricity</td>
<td>Water/Sewer</td>
</tr>
<tr>
<td>Insurance</td>
<td>Prescriptions</td>
</tr>
<tr>
<td>Food</td>
<td>Insurance</td>
</tr>
<tr>
<td>Entertainment</td>
<td>Toiletries</td>
</tr>
<tr>
<td></td>
<td>Loans</td>
</tr>
<tr>
<td></td>
<td>Credit Cards</td>
</tr>
<tr>
<td></td>
<td>Garbage</td>
</tr>
<tr>
<td></td>
<td>Internet</td>
</tr>
<tr>
<td></td>
<td>Medical Bills</td>
</tr>
<tr>
<td></td>
<td>Pet Food</td>
</tr>
<tr>
<td></td>
<td>Movie Rentals</td>
</tr>
<tr>
<td></td>
<td>Gym Membership</td>
</tr>
<tr>
<td></td>
<td>Entertainment</td>
</tr>
</tbody>
</table>
Balancing Income & Expenses

At the end of the month, break everything down into categories. Is your income greater than your expenses?

YES! – Great, then you can save.

NO! – There’s a problem!
Expenses > Income?

- What can you cut out?
  - Eating out too often?
  - Buying things you don’t need?
How to save...

• Pay yourself first!
• Use automatic transfers
• Use payroll deduction
• Take advantage of your employer’s retirement plan
And don’t forget . . .

A quick and easy way to save a little money is to toss your spare change into a jar or piggy bank!
Why do budgets fail?

- Negative Attitude
- Lack of motivation
- Unrealistic expectations
Financial Goals

Identify and write down your financial goals.
Financial goals may be:

• Vacation
• College
• New car
• Down payment for a house
• Paying off credit card debts
Setting financial goals

- Short term – less than 1 year
- Mid term – 1 to 3 years
- Long term – 3 years or more
Goals should be:

• Specific – what is the goal?
  – How much should I save?
  – How long will it take me?

• Realistic
Short term goal -

**Goal:** pay off $1500 credit card balance (12% interest)

**When:** within 12 months

**How much?** $134 per month

Is that realistic?
Determining amount to save

In most cases, you can take the amount you want to save and divide by the number of months.

If you want to pay off credit cards or loans which include interest, visit servicecu.org and use the financial calculators.
Mid term goal -

Goal: $3,000 vacation
When: in 18 months
How much? $167 per month

Is that realistic?
Long term goal -

Goal: $15,000 for a downpayment on a home

When: in 5 years (60 months)

How much? $250 per month

Is that realistic?
Questions?

For more information on products or services, please contact your local branch, or contact center.

US 800-936-7730
International 00800-4728-2000
feedback@servicecu.org
Thank you!
If you found this helpful, please join us next month for Establishing & Repairing Credit 101.