

Budgeting

101



Creating Your Budget

How to Determine Income & Expenses



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Creating Your Budget

Managing household finances can be a daunting task.

Solid budgeting and savings techniques can help you accomplish your goals and reach your financial destination. The Budgeting 101 series provides financial tools and tips to help you monitor your spending, create a savings plan and learn ways to save money. Explore this pamphlet to begin learning how to get your financial life on the right track and be prepared for emergencies that could lead to financial disaster.

The first step to taking control of your financial situation is to do a realistic assessment of how much money you take in and how much money you spend.

Creating and following a budget can help you accomplish this assessment.

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We're interested in your feedback. Please send comments about the Budgeting 101 series to:

CaringNeighbors@qchi.com

Everyone who responds will be entered in a drawing for a special gift.

Why Is Budgeting Important?



It's common for people to spend all the money they make and not have anything left over to save for their goals.

Many people believe they don't have **TIME** to work on a budget. The truth is, if you do the work up front, you'll save **TIME** in the long run.

If you spend your money as expenses arise, you may find yourself unable to meet your financial obligations. In addition, you may not be able to reach personal goals like owning a home or taking a vacation.



The word budget has gotten an unfair reputation. Simply put, it's a **PLAN**. When you budget, you're spending your money on paper before the month begins. Unfortunately, many people view a budget as a straightjacket that keeps them constrained. Freedom and budget just don't seem to go together.

The reverse is actually true. Planning your spending in a logical way will create more freedom than you had before. Many people say they've found even more money after creating and sticking to a realistic budget.

Preparing a Budget

A budget is a step-by-step plan for meeting expenses in a given period of time.



A budget can be created to accommodate virtually any time period. For the purposes of the Budgeting 101 series, we will focus on a monthly budget. Keep in mind that any budget should be designed to help achieve a specific objective. Budgets are subject to revision and evolve over time with your personal situation, needs and priorities.

Following a budget:

- ◆ Helps you reduce the anxiety of not knowing whether you have enough money to pay your bills on time.
- ◆ Gives you a sense of control over your money, rather than letting money have control over you.
- ◆ Helps you build assets that will improve the quality of life for you and your family.



Budgeting is about choosing how to use your money. Knowing the amount of your monthly income and expenses will help you take control of your financial situation.

There are four steps to preparing a budget:

1. **Keep track of your daily spending.**
2. **Create your budget: Determining your monthly income and expenses before they are due.**
3. **Find ways to decrease spending.**
4. **Find ways to increase income.**



This pamphlet will explore the second step – “Creating your Budget.”

What's Included in a Budget?

A budget begins with identifying and listing monthly income and expenses, and it will instantly show you how money flows in and out of your daily life. A carefully planned and realistic budget is like a road map. Without a budget, you're driving around lost. The map identifies your destination and a path to get there safely and on time.

Budgeting Components

Everyone's budget is different, but you can start with four basic categories:

Income

Income is money coming in. Examples include: wages, public assistance, social security, disability, bonuses, gifts, stock dividends, interest, alimony, child support and unemployment benefits.

Expenses

Expenses are what you spend. They cover everything, including rent, stationery, books, telephone bills, transportation costs, clothing, charity and entertainment (i.e. tickets to the movies, sports events). Expenses fall into two categories.

Fixed Expenses

Fixed expenses are expenses that stay constant. Examples include a mortgage or car payment.

Variable Expenses

Variable expenses are expenses that may change based on a variety of factors. Examples include utility bills or groceries. Tracking and adjusting variable expenses are what gives a budget its flexibility and power.



Savings

Savings are what you set aside for the future. You should try to save a fixed amount each month (or a fixed percentage of your income) — the same way you set aside money for expenses. Many households also create a separate "rainy day" fund to help with unplanned but common situations that require money (i.e. car and home repairs, etc.)

Your balance

Your balance is your income minus expenses. In your budget, money coming in should equal money going out. That means you're not spending more than you have. Ideally, you should have more money coming in than going out. You should save this balance for things you want in the future.

If you find that you're spending more than your income, consider reviewing "Budgeting 101: Finding Ways to Create Balance." To access this pamphlet go to:

www.qcholdings.com

If you're not clear on your monthly spending, take time to track your spending. Review "Tracking Your Spending," which is part 1 of the Budgeting 101 series. Please go to www.qcholdings.com in order to access this pamphlet.

Getting Started

Don't wait! A budget can be created at any time using your previous month's income and expenses as a starting point.

Make sure to adjust your numbers for seasonal spending (i.e. school clothing in August, increased heating bills during the winter) and income (i.e. tax refunds and bonuses) when planning your budget for the year.

This pamphlet provides a basic monthly budget worksheet to help you get started. Use the sample worksheet provided or find another tool that fits your needs. The important thing is going through the budgeting process. A successful budget will include your income, expenses, savings and overall balance.

Once established, a budget should be revisited to ensure you're staying on track. Also, categories may need to be adjusted as expenses and income change. If you plan carefully, you'll find that you can achieve your goals. But you must plan.

A carefully thought out, realistic budget is like a road map. If followed, it will help you reach your financial destination!



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This budgeting guide is based on materials from the following resources:

- FDIC MoneySmart
- Community Financial Services Association of America
- Federal Trade Commission

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