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The Budget

Many people cringe when they hear the word “budget.” They think they will have to struggle and do without all the things they enjoy. However, following a budget is actually a way to achieve goals and eliminate stress.

On the following pages you will complete some exercises that will help you establish your own budget. On pages 2 and 4 you will be introduced to budget guidelines for basic expenses. On page 3 or 5 you can complete an exercise that will let you apply these guidelines to your own income. However, even before you start this exercise you will need to establish that monthly income. You will be able to do that by completing the exercises on pages 6 through 10.

Then you have an assignment. You will need to collect your own expense figures to complete the worksheet on page 11 called My Budget.

With your homework done, the real work begins on page 12. That is where you will complete a worksheet that compares what you are spending on each category each month with what the guidelines suggest you should be spending on each category. This will help you identify where you can make changes in your life style and spending habits that will let you take control of your money. Some money management guidelines are given on page 13 to help guide you through developing a budget plan you can work with.

On page 14 you will begin learning about the envelope money management method. Page 16 tells you how to track your spending. Tips on how to save money and get into a savings habit are covered in pages 17 through 21.

Personal Budgeting with No Child Care Costs

People need to pay their bills and buy things they need out of the money they earn (income). Some part of this income needs to pay for housing. Some part needs to pay for food. Some part of this income needs to pay for transportation, entertainment, medical care etc.

These are guidelines for the part of income to be spent for each of these areas:

1. Taxes		22%
2. Housing	Renting or buying a house or apartment	29%
3. Other Loan Payments	Car, student loans, credit cards	10%
4. Transportation	Gas, car maintenance, public trans.	4%
5. Food	At home & dine out	13%
6. Medical Care	Bills & insurance	8%
7. Fuel and Utilities	Water, electricity, gas, phone etc.	4%
8. Clothing	Purchase & upkeep	3%
9. Entertainment	Not including meals	2.5%
10. Miscellaneous Expenses		2%
11. Savings		2.5%
		100%

Budget Worksheet
Household With No Child Care Costs

Gross Monthly Income

Fixed Expenses			
1. Payroll Taxes	Gross Monthly Income	_____ x.22=	_____
2. Savings	Gross Monthly Income	_____ x.01=	_____
3. Housing	Gross Monthly Income	_____ x.29=	_____
3. Child Care	Gross Monthly Income	_____ 0	_____
4. Other Loan Payments	Gross Monthly Income	_____ x.10=	_____
5. Medical Insurance	Gross Monthly Income	_____ x.03=	_____
6. Auto Insurance	Gross Monthly Income	_____ x.03=	_____
7. Homeowners/Renters Ins.	Gross Monthly Income	_____ x.03=	_____
Variable Expenses			
6. Food	Gross Monthly Income	_____ x.12=	_____
7. Gas/Electric	Gross Monthly Income	_____ x.02=	_____
8. Telephone	Gross Monthly Income	_____ x.02=	_____
9. Clothing	Gross Monthly Income	_____ x.02=	_____
10. Entertainment	Gross Monthly Income	_____ x.02=	_____
11. Car Maint./ Gas or Trans.	Gross Monthly Income	_____ x.04=	_____
12. Miscellaneous Expenses	Gross Monthly Income	_____ x.04=	_____
Periodic Expenses			
13. Personal Property Taxes	Gross Monthly Income	_____ x.0025	_____
14. Medical	Gross Monthly Income	_____ x.0025	_____
15. Gifts	Gross Monthly Income	_____ x.0025	_____
16. Car Repairs	Gross Monthly Income	_____ x.0025	_____

Personal Budgeting with Child Care Costs

People need to pay their bills and buy things they need out of the money they earn (income). Some part of this income needs to pay for housing. Some part needs to pay for food. Some part of this income needs to pay for transportation, entertainment, medical care etc.

These are guidelines for the part of income to be spent for each of these areas:

12. Taxes		19%
13. Housing	Renting or buying a house or apartment	22%
14. Child Care		25%
15. Other Loan Payments	Car, student loans, credit cards	4%
16. Transportation	Gas, car maintenance, public trans.	2%
17. Food	At home & dine out	12%
18. Medical Care	Bills & insurance	8%
19. Fuel and Utilities	Water, electricity, gas, phone etc.	4%
20. Clothing	Purchase & upkeep	1%
21. Miscellaneous Expenses		1%
22. Savings		1%
		100%

**Budget Worksheet
Household With Child Care Costs**

Gross Monthly Income

Fixed Expenses			
1. Payroll Taxes	Gross Monthly Income	_____ x.19=	_____
2. Savings	Gross Monthly Income	_____ x.01=	_____
3. Housing	Gross Monthly Income	_____ x.22=	_____
3. Child Care	Gross Monthly Income	_____ .25=	_____
4. Other Loan Payments	Gross Monthly Income	_____ x.03=	_____
5. Medical Insurance	Gross Monthly Income	_____ x.03=	_____
6. Auto Insurance	Gross Monthly Income	_____ x.03=	_____
7. Homeowners/Renters Ins.	Gross Monthly Income	_____ x.01=	_____
Variable Expenses			
6. Food	Gross Monthly Income	_____ x.12=	_____
7. Gas/Electric	Gross Monthly Income	_____ x.02=	_____
8. Telephone	Gross Monthly Income	_____ x.02=	_____
9. Clothing	Gross Monthly Income	_____ x.03=	_____
10. Entertainment	Gross Monthly Income	_____ x.01=	_____
11. Car Maint./ Gas or Trans.	Gross Monthly Income	_____ x.01=	_____
12. Miscellaneous Expenses	Gross Monthly Income	_____ x.01=	_____
Periodic Expenses			
13. Personal Property Taxes	Gross Monthly Income	_____ x.0025	_____
14. Medical	Gross Monthly Income	_____ x.0025	_____
15. Gifts	Gross Monthly Income	_____ x.0025	_____
16. Car Repairs	Gross Monthly Income	_____ x.0025	_____

Income One

1. If this income is a fixed monthly amount (such as a monthly salary or monthly child support) enter that figure on line 5.
2. If it is an annual salary, divide that by 12.
3. If it is an hourly amount complete the worksheet.

Step One:

Hourly Pay	1	_____
X		
Number of Hours Worked	2	_____
Equals		
Gross Weekly Pay	3	_____

Step Two:

Gross Weekly Pay		
Times 52 equals		
Gross Yearly Pay	4	_____

Step Three:

Gross Yearly Pay		
Divided by 12 equals		
Gross Monthly Pay	5	_____

Income Two

1. If this income is a fixed monthly amount (such as a monthly salary or monthly child support) enter that figure on line 5.
2. If it is an annual salary, divide that by 12.
3. If it is an hourly amount complete the worksheet.

Step One:

Hourly Pay	1	_____
X		
Number of Hours Worked	2	_____
Equals		
Gross Weekly Pay	3	_____

Step Two:

Gross Weekly Pay		
Times 52 equals		
Gross Yearly Pay	4	_____

Step Three:

Gross Yearly Pay		
Divided by 12 equals		
Gross Monthly Pay	5	_____

Income Three

1. If this income is a fixed monthly amount (such as a monthly salary or monthly child support) enter that figure on line 5.
2. If it is an annual salary, divide that by 12.
3. If it is an hourly amount complete the worksheet.

Step One:

Hourly Pay	1	_____
X		
Number of Hours Worked	2	_____
Equals		
Gross Weekly Pay	3	_____

Step Two:

Gross Weekly Pay		
Times 52 equals		
Gross Yearly Pay	4	_____

Step Three:

Gross Yearly Pay		
Divided by 12 equals		
Gross Monthly Pay	5	_____

Income Four

1. If this income is a fixed monthly amount (such as a monthly salary or monthly child support) enter that figure on line 5.
2. If it is an annual salary, divide that by 12.
3. If it is an hourly amount complete the worksheet.

Step One:

Hourly Pay	1	_____
X		
Number of Hours Worked	2	_____
Equals		
Gross Weekly Pay	3	_____

Step Two:

Gross Weekly Pay		
Times 52 equals		
Gross Yearly Pay	4	_____

Step Three:

Gross Yearly Pay		
Divided by 12 equals		
Gross Monthly Pay	5	_____

Total Monthly Income

Income 1	_____
Income 2	_____
Income 3	_____
Income 4	_____
Total Income	_____

My Budget

Monthly Expenses

Fixed

- | | |
|---------------------------------|----------|
| 1. Payroll | \$ _____ |
| 2. Savings | \$ _____ |
| 3. Housing | \$ _____ |
| 4. Child Care | \$ _____ |
| 5. Other Loan Payments | \$ _____ |
| 6. Medical Insurance | \$ _____ |
| 7. Auto Insurance | \$ _____ |
| 8. Homeowners/Renters Insurance | \$ _____ |

Variable

- | | |
|---|----------|
| 9. Food | \$ _____ |
| 10. Telephone | \$ _____ |
| 11. Gas/Electric | \$ _____ |
| 12. Clothing | \$ _____ |
| 13. Entertainment | \$ _____ |
| 14. Car Maintenance/Gas or Transportation | \$ _____ |
| 15. Miscellaneous | \$ _____ |

Periodic

- | | |
|-----------------------------|----------|
| 16. Personal Property Taxes | \$ _____ |
| 17. Medical | \$ _____ |
| 18. Gifts | \$ _____ |
| 19. Car Repairs | \$ _____ |

Total Expenses \$ _____

Budget Plan

	Figure from Budget Worksheet	Figure from My Budget	Difference
1. Payroll			
2. Savings			
3. Housing			
4. Child Care			
5. Other Loan Payments			
6. Medical Insurance			
7. Auto Insurance			
8. Homeowners/Renters Insurance			
9. Food			
10. Telephone			
11. Gas/Electric			
12. Clothing			
13. Entertainment			
14. Car Maintenance/Gas or Transportation			
15. Miscellaneous			
16. Personal Property Taxes			
17. Medical			
18. Gifts			
19. Car Repairs			

<p>Financial Plan What adjustments will I make to balance my budget?</p>	
<p>Time Line When can I make these adjustments? How long will it take to balance my budget?</p>	

Ten Basic Rules of Money Management

1. Plan - Plan for the future, major purchases and periodic expenses.
2. Set Financial Goals – Determine short, mid, and long range financial goals.
3. Know Your Financial Situation – Determine monthly living expenses, periodic expense, and monthly debt payments. Compare outgo to monthly net income. Be aware of your total indebtedness.
4. Develop a Realistic Budget – Follow your budget as closely as possible. Evaluate your budget. Compare actual expenses with planned expenses.
5. Don't Allow Expenses to Exceed Income – Don't charge much more each month than you are repaying to your creditors. *Your credit cards are not a source of income.*
6. Save – Save for periodic expenses such as car and home maintenance. Save 5% to 10% of your net income.
7. Pay Your Bills on Time – Maintain a good credit rating. If you are unable to pay your bills as agreed, contact your creditors and explain your situation. Contact Credit Counseling of Arkansas for professional advice.
8. Distinguish Between Wants and Needs – Take care of your needs first. Money should be spent for wants only after needs have been met.
9. Use Credit Wisely – Use credit for planned purchases. Determine the total you can comfortably afford to purchase on credit. Avoid borrowing from one creditor to pay another.
10. Keep a Record of Expenditures – Be aware of where your money is going.

Adapted from material developed by CCOA Credit Counseling of Arkansas

The Envelope Method

The envelope method is a simple way of sticking to a budget. The idea behind it is that you can't spend what you don't have.

You should begin by determining what your spending categories are. Spending categories include any area of spending that you have some control over. For example, **groceries, dining out, lunch at work, clothing,** and **hair care** are possible spending categories. You will need an envelope for each of your spending categories.

To determine what your budget should be for each category, you will need to track your spending for at least two weeks. This is a time-consuming process, but once it is finished you will have a very accurate idea of where your money goes. After you have determined the amount you spend in each category, it is time to make some decisions. You must decide how much to budget for each envelope. Cut back in the categories that you think you were spending too much in, but be realistic. The total from all of your envelopes must not exceed your total discretionary income. If you are paid weekly, you will want to use weekly totals. If you are paid bi-weekly you will want to use bi-weekly totals and so on.

On payday, take out the right amount of cash for each of your envelopes. The amount that is in each envelope is your limit. Once the envelope is empty, you are done spending in that category until next payday. Do not move money from one envelope to another, and do not carry all of your envelopes all of the time. Take only those that you will need that day. If you have money left over on payday, you have two choices. You can leave it in that envelope and add to it. This is how you can save for something that costs more than your budgeted amount. The other option is to put the money in a savings account.

There are many advantages to using the envelope method. It requires that you give more thought to what you are buying. It will also teach you that you can be happy without many of the little things that you buy out of habit or boredom. This method is not a magic solution, but if you stick to it you will find that you have more control over your money.

Adapted from material developed by CCOA Credit Counseling of Arkansas, Inc.

More on the Envelope Method

Divide your money into three categories

1. The money you put into your checking account that handles the bills you need to pay with a check
2. The money you put into your savings account that pays the bills that are larger and are paid less than once a month
3. The items that you pay cash for and do not need to keep a receipt

Category one – Checking

Use this for anything you pay on a regular basis, such as monthly and need a record of the payment.

1. Rent/Mortgage Payment
 2. Car Payment
 3. Credit Card Payment
 4. Utility Bills
 5. Other _____
-
-

Category two – Savings

Use this for anything that is paid less often than monthly and will be fairly expensive

1. Homeowners/Renters Insurance
 2. Christmas Presents
 3. Back to School Expenses
 4. Vacation
 5. Other _____
-
-

Category three – Cash in the Envelope

Use this for frequent small expenses when you do not need a receipt

1. Gas
 2. Groceries
 3. Entertainment
 4. Other _____
-
-

Where Did All the Money Go?

Have you ever sat down to balance your checkbook and thought, “Where did all my money go?” If so, you are not alone. Many people have no idea where a large part of their money goes each month. This causes stress, frustration, and worse.

A good way to keep up with your money is to track your spending. Keeping receipts will help. Most of us keep receipts for clothing or other things that we might want to return, but we throw away other receipts without even looking at them. In order to prepare a realistic budget try this:

For one month keep all of your receipts. This includes receipts for things like fast food, gasoline, movie rentals, dry cleaning and hair cuts. You might have to ask for a receipt for some things. Keep an envelope in the glove box of your car or in your purse or backpack for storing the receipts. Carry a small notebook for writing down the amount you spend on newspapers, vending machines, car washes, and other things for which you will not get a receipt.

At the end of the month organize your receipts by date, and compare them with your checkbook. Is there something in your checkbook for which you don't have a receipt? If so, write it in the notebook. Now organize the receipts and notebook by category (meals out, car repairs, groceries, etc.) If a receipt has items from more than one category either put it in the category that best describes it, or divide it into two or more categories. For instance, if you have a grocery receipt that also has shampoo and soap on it, put it in the grocery category. However, if a grocery receipt also has a plant for your friend's birthday on it. Split it between the grocery and gift categories.

Take a look at your totals in each category. I think you will be amazed at how much you are spending in some areas. You are probably spending more on fast food and convenience store snacks than you thought you were.

Use these totals to prepare a monthly budget. The bottom line is this: ***Following a budget can help you save money, but you can't prepare a realistic budget if you don't know where your money is going.***

Adapted from material developed by CCOA Credit Counseling of Arkansas, Inc.

I'm Too Poor to Save!

Many people say that they cannot afford to save any money. While this is true for some people, it isn't true for most. Even saving just \$10 a month is a step in the right direction!

Savings Earning 5% Interest

Monthly Savings	5 Years	10 Years	15 Years
0	0	0	0
\$ 10.00	678.14	1,543.63	2,648.45
\$ 25.00	1,695.34	3,859.08	6,620.61
\$ 50.00	3,390.69	7,718.16	13,241.23
\$ 100.00	6,781.37	15,436.32	26,482.46
\$ 150.00	10,172.06	23,154.47	39,723.69
\$ 200.00	13,562.75	30,872.63	52,964.92

Where Can I Find \$25 Per Month?

Are you living paycheck to paycheck? Many Americans are, and it is a dangerous way to live. Many people would like to save, but they don't believe that they have any "extra" money. Maybe they do. Let us look at some "extra" spending and see if they can redirect some of this spending into a savings plan.

Sodas and Snack Foods

Soda	.55
Candy	.60

One soda and one candy bar each working day equal \$5.75 per week. If two family members spend this each week that equals \$11.15 a week or \$598 per year. *That is almost \$50 per month!*

Lunches

Three lunches out per week equal between *\$30 and \$60 per month.*

Meals Out

Fast food meal for a family of four	\$18
Pizza for four	\$20

One fast food meal and one pizza dinner equal *\$38 per month.*

Movies

One adult ticket	\$6.00
One child's ticket	\$3.75

A family of four would spend \$19.50 to attend just one movie a month. If you add popcorn and sodas, the cost jumps to over **\$25.**

Adapted from material developed by CCOA Credit Counseling of Arkansas

Lower Your Grocery Bill

1. Make a list and stick to it.
2. If you see something that you want, but it is not on your list, don't buy it.
Write it down. If you still want it next time you shop, put it on your list.
3. Plan meals ahead of time so that you know what you need.
4. Look at the sales circulars when planning you meals.
5. Don't shop when you are bored.
6. Don't shop when you have a lot of time to kill.
7. Don't shop when you are hungry.
8. Buy items that you use frequently in bulk.
9. Limit the number of times that you go to the store. If you run out of something do without it until the next time you go to the store.
10. Try to shop alone.
11. Compare several stores' prices on the items you use most frequently.
12. Plan at least two meals per week around inexpensive dishes such as beans, spaghetti, or macaroni.
13. If your children shop with you, let them take turns choosing one unnecessary item.
14. Dry cereals are expensive. If you buy them, compare prices and try generic varieties.
15. Take advantage of coupons, some stores double coupons.
16. Comparative shop with your newspaper ads.

Adapted from materials developed by CCOA Credit Counseling of Arkansas

Save on Entertainment

Enjoying your family and your free time is important. However, too often people throw the budget out the window when it comes to leisure time activities. To keep from blowing your budget, you need to come up low cost or no cost activities you can enjoy with your family. Below are some suggestions. If you do not have children, invite friends to participate.

- Make greeting cards with your children. Use construction paper, marker, glitter and pieces of lace and fabric to make greeting cards for grandma and other family members. You probably already have the supplies around the house.
- Read together. Check out books from the library and read them with your children. You might want to get one that has already been made into a movie.
- Rent movies. And do not forget the library as a source of movies. You can check movies as well as games and books out from the library.
- Ride a bicycle. If you have a bike that has been neglected, get it out and ride it. There are many benefits of bicycle riding.
- Take a walk. That is an inexpensive form of entertainment for you and your children and you will all enjoy the exercise benefits. And while you are at it, walk the dog. If you don't have a dog, offer to walk the neighbor's dog.
- Visit museums or tourist attractions in or near your town. Often, the residents of an area do not take advantage of local attractions. Check with the Chamber of Commerce or phone book to find low cost or free museums, parks, and historic places in your area.
- Attend a lecture or concert. Many local colleges have guest speakers or musicians. High schools have concerts and plays. Call the school for information.
- Host a potluck. Invite your friends over for the evening and ask everyone to bring a dish.
- Go to the park or the beach. Pack up your children and a picnic lunch and enjoy the day out of doors together.

Adapted from material developed by CCOA Credit Counseling of Arkansas

Creative Savings

Whether you are having trouble making ends meet or just want to put a little extra away, it is important to look for ways to save on everyday expenses. Below are some suggestions, but there are many more. Take a little time to look over your spending habits and see if you can come up with some creative saving ideas.

- \$ Request a free energy audit from your electrical supplier.
- \$ Follow your auto maintenance schedule to lengthen the life of your auto.
- \$ Set the temperature setting to normal on your hot water heater.
- \$ Install a thermal jacket on your hot water heater & insulate the water line.
- \$ Use florescent light bulbs
- \$ Use ceiling fans and other fans, especially in the kitchen. This will reduce the need to lower the A/C thermostat.
- \$ Make your own cleaning supplies. Use ammonia or vinegar and water to wash window, clean the bathroom with bleach and water. Clearly label containers, *never* mix bleach and ammonia.
- \$ Use sponges instead of paper towels to clean up spills.
- \$ Use grocery bags for trashcan liners.
- \$ Use the backs of envelopes for shopping lists and phone messages.
- \$ Store leftovers in the old plastic containers that butter, cottage cheese, and other foods came in.
- \$ Try using half as much shampoo.
- \$ Put shampoo, conditioner, and dish soap in a pump bottle. You and your family will use less.
- \$ When taking a trip, take drinks and snacks with you.
- \$ Check the unit prices on grocery items. Don't assume that larger packages save money.
- \$ Keep your freezer full, even if you have to put jugs of water in it. It will operate more efficiently.
- \$ Let the dishes in the dishwasher air dry instead of using the drying cycle on the dishwasher.
- \$ Shop at resale stores.
- \$ Learn to check your oil level and tire pressure, maintaining these will save money in the long run, and by doing it you will eliminate the need for a full service gas station.

Adapted from material developed by CCOA Credit Counseling of Arkansas