

# Budgeting 101

Presented by:



# Why Should We Budget?

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- ★ ~~Budget~~ SPENDING PLAN
- ★ Roadmap to achieve financial goals (fun and not)
- ★ Helps identify areas to improve your financial life



# Budgeting Philosophies

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- ★ **Pay Yourself First**

- ★ Savings/goal centered

- ★ **Envelope System**

- ★ Cash based

- ★ **50/30/20 System**

- ★ Set spending based on percentages of income

- ★ **Zero-Sum Budget**

- ★ allocate every dollar you make.





# Where Do I Start?

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- ★ Find your monthly net income
- ★ Add Up/itemize your monthly expenses
- ★ Find if there is any excess to save/pay down debt



# Step 1: Record Monthly Income

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# Step 2: List Monthly Expenses

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- ★ Create a list of all monthly expenses
  - ★ Use online banking to make this process easy
  - ★ Record each expense manually if you like to use cash



# Step 3: Income - Expenses

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- ★ Do you have an excess or a shortage?

## **If you have excess...**

- ★ Included all expenses?
- ★ Saving enough?
- ★ Paying off debts more aggressively?

## **If you have a shortage...**

- ★ Decrease expenses?
- ★ Adjust budget?
- ★ Identifying other sources of income?





# Balancing the Budget

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## Evaluate Your Expenses

### Fixed

- Housing
- Transportation
- Medical Costs
- Dependent Care
- Credit Card/loan payments

### Flexible

- Groceries
- Personal items
- Laundry
- Clothing
- Utilities
- Car repairs

### Discretionary

- Eating Out
- Vacations
- Entertainment
- Gift Giving
- Hobbies
- Designer Labels



# In Times of Emergency

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- ★ If you have lost your job, apply for unemployment benefits
- ★ Contact your creditors
- ★ Utilize local resources to help ease financial burdens
  - ★ 211.org or 2-1-1



# Goals and Savings

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- ★ Do you have savings?
  - ★ Emergency
  - ★ Planned expenses
  - ★ Goals
  
- ★ Do you have debt?
  - ★ Snowball vs avalanche
  
- ★ Add these as line items to your budget!



# Keep It Up!

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## **Create a system that works for you**

- ★ Paper ledger
- ★ Excel spreadsheet
- ★ Computer program



## **Know the tools available to help**

- ★ Mint.com
- ★ Online banking



# Saving For Your Future

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- ★ Take advantage of all retirement savings benefits from your employer
  - ★ Meet with benefits specialist to ensure that you are doing so!
- ★ Saving on your own
  - ★ IRA accounts-
    - ★ Save for retirement with tax-free growth or on a tax-deferred basis
    - ★ IRS limits annual contributions
- ★ Financial Advising/Planning
  - ★ Have a professional review your financial plan, or help develop one





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- ★ **Free Financial Counseling** - Free financial counseling and debt counseling without a sales pitch. Certified advisors will help you explore options for achieving your financial goals. Everyone receives a customized action plan.
  
  - ★ **Debt Management Plan** - If you are struggling to eliminate credit card debt, GreenPath may work with your creditors to develop a mutually agreeable payment plan. The plan could stop collection calls, lower interest rates and help you save lots of money.
  
  - ★ **Housing Services** - Foreclosure prevention services, home buyer preparation assistance, and reverse mortgage counseling.
  
  - ★ **Student Loan Counseling** - Look into student loan repayment options that can postpone or lower your payments.
  
  - ★ **Credit Report Review** - Learn how to better understand your credit report and how to manage your credit score.
  
  - ★ **Financial Education** - GreenPath University is your online source for free eCourses, videos, webinars, articles and other financial education resources.

