

Budgeting 101

Creating a Personal Budget



*For people
on the move*

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

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



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

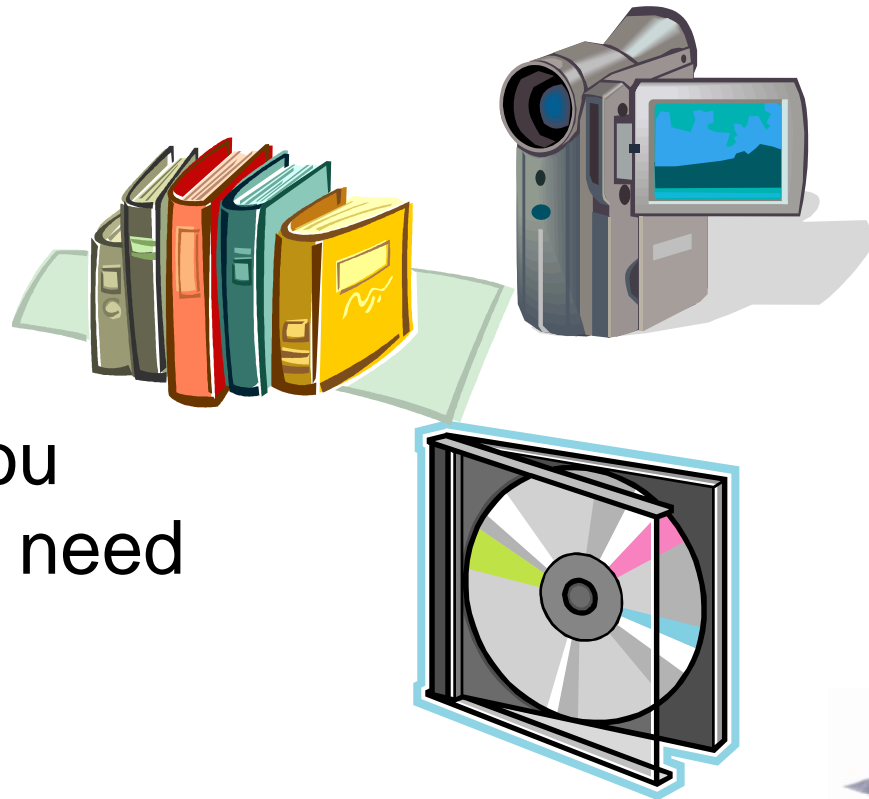


- Car maintenance
- Gas
- Food
- Electricity, heat
- Phone



Non-Essential Expenses

- Clothing*
- Books
- Movies
- Video games
- Other items, you want, but don't need



Some possible expenses . . .

Housing

Phone

Magazine
subscriptions

Electricity

Gas/Electricity

Water/Sewer

Garbage

Pet Food

Insurance

Prescriptions

Internet

Movie Rentals

Food

Insurance

Medical Bills

Gym Membership

Entertainment

Toiletries

Sundries

Entertainment

Loans

Credit Cards



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

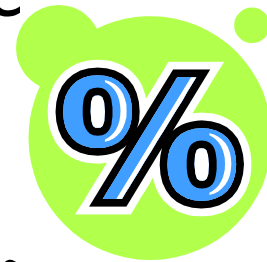
How much? \$134 per month

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 -

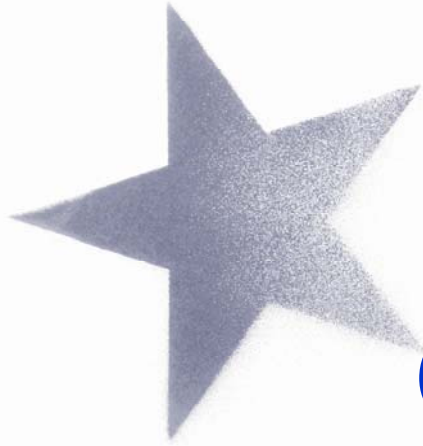
Goal: \$15,000 for a downpayment on a home

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.

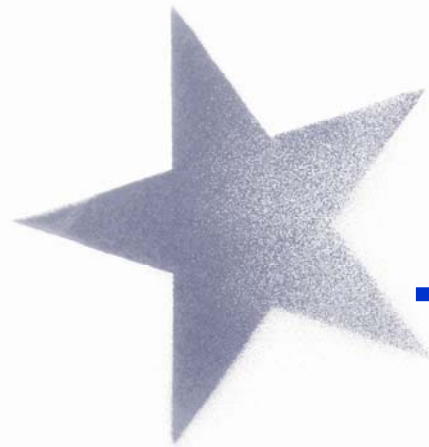
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*For people
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Thank you!

If you found this helpful, please join
us next month for
Establishing & Repairing Credit 101.



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