

Managing Your Personal Finances



BUDGETING



Keep in mind that it's usually easier to cut back expenses than to increase income.

THREE STEPS TO BUDGETING

You might not have thought of it this way, but looking at your budget is a lot like looking at a pie...and deciding how to slice it. We'll show you how, step by step.

1 Decide what you have to work with.

You'll look at

- ✓ income (what comes in)
- ✓ expenses (what goes out)

2 Figure out just how far you want your budget (or pie) to go.

What about:

- ✓ rent or mortgage
- ✓ food, clothes, and transportation

3 Slice the pieces of your pie. Once you know what you have, you can make choices and decisions about your personal finances.

Don't forget:

- ✓ entertainment, vacations
- ✓ a new car or house

GETTING STARTED

We've included a monthly work sheet for you, with two basic sections: INCOME and EXPENSES.

First, include the amounts you know to be true now, in the "current column". Then read through the OPTIONS and DECISIONS sections to see how you might make changes for the revised budget column.

As you get started, remember these important tips:

- * Include as much information as you can on the work sheets. Don't leave anything out, no matter how small it may seem!
- * Most people find it easier to manage money monthly rather than annually.
- * Divide annual income (minus taxes and deductions) and expenses (like car insurance) by 12 to get a monthly figure.
- * Some expenses (like heating bills) will change throughout the year, so use a monthly average.

INCOME

Let's start with CURRENT INCOME. Be sure you include all sources of income - but only the money you're sure you'll receive. Don't forget to subtract taxes and other deductions.

MONTHLY BUDGET WORK SHEET

INCOME		
	CURRENT	REVISED
Take-home pay	\$	\$
Overtime	\$	\$
Tips	\$	\$
Other	\$	\$
Other	\$	\$
Total Income	\$	\$

"The most important thing to remember about budgeting is to include as much information as you can, so that you can prepare and plan!"

EXPENSES

Next is CURRENT EXPENSES. Including all of your expenses is very important in helping you understand where you spend your money. The percentages below represent the recommended percentage of your total income. For example, if you take home \$1,000 per month, you should only spend \$350.00 per month on Housing. This is especially helpful for individuals just starting out. It helps you to determine what you can spend.

MONTHLY BUDGET WORK SHEET

EXPENSES					
	CURRENT	REVISED		CURRENT	REVISED
HOUSING (35%)			CREDIT CARDS (3%)		
rent or mortgage	\$	\$	_____	\$	\$
maintenance & repairs	\$	\$	_____	\$	\$
property taxes & insurance	\$	\$	_____	\$	\$
cable TV bill	\$	\$	_____	\$	\$
electric/gas/water/trash bills	\$	\$	_____	\$	\$
phone bill	\$	\$			
FOOD (12%)			MISCELLANEOUS (8%)		
groceries/snacks	\$	\$	hobbies/sports (equipment, memberships)	\$	\$
eating out	\$	\$	papers/books/movies	\$	\$
PERSONAL (4%)			magazines/videos/CD's	\$	\$
clothes/toiletries/hair care	\$	\$	vacations	\$	\$
laundry/dry cleaning	\$	\$	charity	\$	\$
TRANSPORTATION (17%)			education (tuition, books)	\$	\$
car payment	\$	\$	gifts (birthdays, holidays)	\$	\$
repairs/maintenance	\$	\$	pets (food and care)	\$	\$
gas/parking	\$	\$	Other	\$	\$
insurance/taxes/licenses	\$	\$	_____	\$	\$
HEALTH (10%)			_____	\$	\$
medical insurance/doctors	\$	\$	_____	\$	\$
prescriptions	\$	\$	_____	\$	\$
dentist/eyecare	\$	\$			
			SAVINGS (8%)	\$	\$
TOTAL COLUMN 1	\$	\$	TOTAL COLUMN 2	\$	\$

TOTAL MONTHLY INCOME
-TOTAL MONTHLY EXPENSES
Equal, less or more?

	CURRENT	REVISED
TOTAL INCOME	\$	\$
Less Expenses		
Column 1	\$-	\$-
Column 2	\$-	\$-
Equal, less, or more?	\$	\$

THE MOMENT OF TRUTH

ARE YOUR EXPENSES AND INCOME EQUAL? You may be getting by living paycheck-to-paycheck. *But what about sudden and unexpected expenses or needs?* How can you begin a regular savings plan? How do you get started? See our SAVINGS booklet, which is designed to help you.

ARE YOUR EXPENSES LESS THAN YOUR INCOME? Great, you are careful with your money! Our SAVINGS booklet can help you learn how to start a savings plan, set and achieve goals, and make your money work for you!

ARE THE AMOUNTS EQUAL, BUT ONLY BECAUSE YOU USE CREDIT? Are you making ends meet because you're regularly using credit for what you need and want? Maybe you're only making the minimum payments each month. You may need to look at how you use credit. Our CREDIT booklet can help you!

ARE YOUR EXPENSES MORE THAN YOUR INCOME? You could be headed for disaster! You will need to cut your expenses before you get behind or into too much debt.

Now you can look at some OPTIONS....

OPTIONS

After completing the worksheet you will be able to see how and where your money is currently being spent. You may also have some questions!

- ☞ Do you have enough money to pay your expenses?
- ☞ How do you use credit?
- ☞ Would more income help, even for six months or a year?
- ☞ Would you like to save for a vacation?
- ☞ Will you need a different car in a few years?

HOW CAN YOU INCREASE YOUR INCOME? If you need a bigger piece of pie, can you work more and receive overtime pay at your job for the next month or two? Are you able to consider a second job for six months or a year?

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HOW CAN YOU DECREASE YOUR EXPENSES? Let's call it "dieting" as a way to balance the budget and live within your means. Spending less is something all of us can learn to do. Let's look at some ways to cut expenses.

CUTTING EXPENSES

Begin by separating your expenses into two categories:

- ❖ Must-spend items (rent or mortgage, car, utilities, debt and food);
- ❖ Can-cut items (entertainment, total groceries, telephone services, eating out and clothes).

It may be harder to cut back on fixed, must-spend items in your budget like housing, so let's look at the can-cut category first. Here are some ideas to consider:

CAN-CUT CATEGORY

- ❖ Eating out: Could you bring your lunch to work and eat dinner out less often?
- ❖ Car Pooling: Riding with a friend or co-worker could save on transportation costs.
- ❖ Managing cash: Keep track of what you use your cash for.
- ❖ Telephone: Consider a cheaper long distance provider, or removing non-critical local features..
- ❖ Clothes: Are you careful about what you buy and how much you spend?
- ❖ Vacations: You may be able to save by taking several smaller vacations.
- ❖ Cable: Evaluate removing it or changing your package.

DECISIONS

WHAT ABOUT CREDIT? What about the amount you might be spending on monthly payments for credit obligations, beyond house or car payments?

Using credit is not a bad thing, but it is important to understand how much debt and interest really cost over a period of time. Knowing how much debt you can afford is also a key factor in budgeting.

Your local banker can help identify ways to consolidate your debts or change your payment obligations to fit better within your income.

Now let's look at some possibilities to cut back in your must-spend category.

MUST SPEND CATEGORY

- ❖ **Buying or leasing a car** - If you're thinking about buying a car, should you buy a new or used one? What about leasing? How could you reduce the amount of your monthly payments? Have you looked at different insurance options?
- ❖ **Owning or renting a home** - If you rent, could you move to a less expensive apartment or home? If you own a home, maybe you could talk to your banker about re-financing. Depending on interest rates for mortgages, you may be able to reduce your monthly house payments.

REVISED BUDGET

When you've looked carefully at how you can increase your income and cut your expenses (must-spend and can-cut), return to the work sheets to fill in the REVISED BUDGET columns. Enter any changes you have made, and check your revised total.

See if you've brought your personal finances into balance, and maybe even produced a little extra that you can use to start regular savings and investing programs. Once you really look at your own spending habits, you will see opportunities that can work for you.

*"Discipline can help you manage your money
and use credit wisely."*

The key to choices that will work for you is to look for ways in which you can realistically make changes. Do the best you can, but don't try to fool yourself or try to do the impossible.

MOVING TOWARD YOUR GOAL

The goal of any personal financial plan is to create financial security over time. Your personal budget is a great place to start! As you make decisions about your money, be willing to consider changes, too. You may find you can cut easier in one area than another. You may get a raise and earn more money!

THE KEYS TO SUCCESS INCLUDE

- ✓ Keep your expenses within your income;
- ✓ Use only levels of debt that you can afford to pay back;
- ✓ Know the annual interest rates on all your charge cards;
- ✓ Pay off those credit cards with the highest interest rates first;
- ✓ Start a regular program of saving and investing for your future; and
- ✓ Be disciplined but flexible with your choices!

Using basic information in our BUDGETING, SAVINGS, and CREDIT booklets, we hope that you will be able to move toward achieving your own personal financial goals.

Remember, it's your money and it's worth your best effort! **SO TAKE CONTROL OF YOUR PERSONAL FINANCES!**