

A Household Budget



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Start a Budget

What do you want to accomplish with a budget. Write three **long-term goals** that you want to accomplish beyond a year. Once you have established your goals, look at your past spending habits. What would you like to change or improve about your spending habits?

Review your **checkbook register** or checking account **statements** for the previous three months.

Next, know your income. Look at what your income has averaged over the last three months. Do this by reviewing your paycheck stubs and all other sources of income. These steps, are a good place to start when figuring your **income** and **expenses**.

Using your written budget

Tracking your expenses. Keep a simple ledger. A notebook/smartphone is much more convenient to carry with you than your actual budget sheet.

Fixed expenses are items that don't change from month to month.

Examples of fixed Expenses: Rent/Mortgage, Insurance, Vehicle payment, Emergency Savings

You will need motivation to maintain and keep your budget going. Your **goals** are your motivation. You must have goals in writing that you are very passionate about.



Use a small **notebook** or **Smartphone** to track your weekly expenses and carry it with you. Example: You budget **\$75** for groceries this week. You track how much you spend in your notebook. Each large **flexible expense** is written in your notebook or smartphone. Track your flexible expenses, and continue to look for cost-reducing measures to build savings. **Flexible Expenses** are expenses that change month to month. **Examples of Flexible expenses: Groceries**, utilities, credit card payments and Entertainment, Revolving Savings. These are the easier targets to find monthly expense reductions. The **Cell phone bill** today is too high in most households. Review every monthly expense. **TV Cable** is another easy target for cost reduction. Find the low hanging fruit first; the easy targets then attack the little things.

A budget is a personal finance tool that is "yours" to personalize. A budget can relieve financial stress and help you achieve personal, and business goals. Take charge of your finances by using a monthly budget. Often, simple is your best recipe for financial success.



Pointers

A **Revolving Savings Account**, a small savings account of 20% of gross income, that will help balance your budget when small unexpected expenses arise and put you over budget. **Example:** You had budgeted \$50 for your daughters band uniform, then you learn that the price has changed to \$100. This will put you over budget for the month, so you borrow from your **revolving savings account** to cover the additional cost.

Budgeting General Guidelines

The **general guidelines/ Rules of Thumb** are percentages used to help stay within safe spending limits. Reducing expenses and debt will help you achieve your goals. How do you know if you are spending too much on a big ticket item such as a home mortgage payment, rent, or making an automobile purchase?

Housing cost.....	25	— 35%
Food	10	—15%
Transportation	12	— 15%
Utilities	5	— 10%
Medical	5	— 10%
Recreation	5	— 10%
Savings.....	10	—50%
Debt.....	5	— 10%

Use these percentages with your monthly gross income.

Example: \$3,900 X .30 = \$1,170 Max mortgage payment. **Gross income** X 30 percent equals your maximum monthly mortgage payment. These percentages can help when deciding how much you can afford each month.

Ready! Set! Save!

Saving money appears to be the Achilles heel for American households. We are ever optimistic our future earnings will cover our debts of today.



Saving money takes **maturity and discipline**. You must have **goals** and these goals should give you a purpose for saving. If you have goals but still are not able to save, you need to evaluate your **spending plan/Budget**. Find areas you can reduce spending and shift towards your savings goals. Make sure and receive the smallest tax return so you receive possible the largest paycheck possible.



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Savings Account Priorities:

1. **Emergency** Savings account
2. **Revolving** Savings account
3. **Retirement** Investments
4. Higher Education Savings
5. Savings for next vehicle (Do not finance depreciating assets.)

We teach **Values, Goals and Sacrifices**. Teaching **needs, versus wants, is for children**. We teach, **maturity** and **discipline**. You must have goals that you're excited about. When you find your true passion you're on track. Reducing debt is key to saving money. We must reduce **unmanageable** debt to within our percentage guidelines. Implement your **debt-snowball**, and as your **unmanageable debt** becomes **manageable**, increase your savings and savings

Do not shift all your discretionary income towards paying off a home mortgage in place of building an Emergency saving account. Pay off depreciating asset debt (Car) and building savings is a high priority. Use a balanced approach. After you pay off your car note and **budget** for **Emergency** Savings every month then you can shift more money towards paying off a home mortgage.

Savings priorities:

1. **Emergency Savings** account six months gross income as a seven year goal. Consider the high interest savings accounts that are online. Keep your Emergency savings separate from your other savings accounts. Don't use it for monthly expenses; use your **Revolving savings** account for those items.
2. **Revolving savings account balance goal of 20%** of one month gross income.
3. **Retirement**
4. **College Tuition**

Find **balance** by using a budget. Keep your debt manageable while building savings.