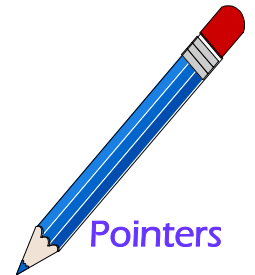


# A Household Budget



Pointers

## How to Start a Budget

Start by knowing your goals. Write three **long-term goals** that you want to accomplish beyond a year. Once you have established your goals, look at how you have spent money in the past.

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 what your **income and expenses**

### Using your written budget

Your notebook 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,

have been.

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

Use a small **notebook** 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. Track your flexible expenses, and continue to look for cost-reducing measures.

Insurance, *Savings,*

**Flexible expenses** are expenses that change from month to month.

Examples of **Flexible expenses:** Groceries, utilities, credit card payments, entertainment.



A **Revolving Savings Account**, a small savings account of 20% of gross monthly 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.

### Points of Interest

**Discretionary income** is money you have available after paying all bills at the end of the month. This money is available for achieving your goals, such as pay off debt, and increase your savings allotment.

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.



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Academy of Financial Literacy, Inc is a financial education company located in Chandler, AZ. We have created a series of personal finance education materials we hope will influence and motivate change.



## Budgeting General Guideline Percentages

The **general guidelines**, 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 – 17%
Utilities . . . . .	5 – 10%
Medical . . . . .	5 – 10%
Recreation . . . . .	5 – 10%
Savings . . . . .	10 – 20%
Debt . . . . .	5 – 10%

Use these percentages with your monthly gross income.  
**Example:** \$3,900 X .35 = \$1,365 Max. mortgage payment. **Gross income** X 35 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. The Federal Reserve Board has statistics that show savings in America, has stayed around zero for the past several years. 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

have not found your true goals. **Savings accounts you should have in place:**

1. Retirement Savings accounts
2. Revolving Savings account
3. Safety Savings Account
4. Higher Education Savings
5. Savings for next vehicle (Do not finance depreciating assets.)
6. Long-term goals
7. Short-term goals

We teach **goals**, teaching **needs, versus wants, is for children**. We teach, **maturity and discipline**. You must have goals that give you goose bumps, don't fake it. When you find your true passion you are 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.

***Savings is more important than trying to live debt free..***

This means, do not pay off your home mortgage in place of saving for your future. Paying off depreciating debt and savings are a higher priority.

**Savings priorities** you should have in place before attacking your debt.

1. **Revolving Savings** account
2. **Safety savings** of at least 50% of one months gross income.

Find balance by saving and keeping your debt manageable.