# Budget Quick-Start Guide

**Using a budget or spending plan involves five key activities:**

- Determining current income and expenses
- Compare existing spending to guideline budget
- Develop a new spending plan
- Setting up expense account sheets
- Work the plan (ongoing spending plan maintenance)

**Before you get started, you will need the following forms:**

- Monthly Cash Flow Plan
- Debt Summary Form
- Guideline Percentage Sheet
- Monthly Guideline Budget Form
- Budget Analysis Form
- Expense Account Sheets
- Income Allocation Sheet
- Monthly Cash Flow Tracker Sheets (optional)

## 1. Determining Current Income and Expenses

To get started, fill in the "Now" columns of the **Monthly Cash Flow Plan**. Start by entering your household's monthly net income – the amount after deductions, such as taxes, retirement contributions, insurance plan contributions, etc. Next, enter your current monthly giving and saving amounts. Complete a **Debt Summary Form** and enter debt amounts. Then fill in the rest of the "Now" figures as well as you can. You may not have a good idea how much you're spending in certain categories. That's okay. For now, just take an educated guess. At the same time however, begin keeping track of existing expenses using a **Spending Diary** and/or **Monthly Cash Flow Tracker Sheets** (see explanation of these below).

> As you spend money, keep your receipts and/or jot down how much you spend in you ***Spending Diary***. This is especially important for your cash and debit card purchases. At the end of each day, enter your expenditures on the ***Monthly Cash Flow Tracker Sheets*** for each spending category. Enter all expenditures regardless of how they were paid for (cash, debit card, credit card, check, automatic bank withdrawal, etc.).
>
> Keep your ***Monthly Cash Flow Tracker Sheets*** in a binder somewhere you will see it every day – like the kitchen table or nightstand (you get the idea!). That will help you to remember to record each day's expenses. By the way – this tracking procedure is to be following by both husband and wife if married (use only one set of tracker sheets for the family however). It's a good idea to put a line through each day's date after you record the expenses. That will be an indicator that you recorded all that day's spending.
>
> At the end of each month, total each category on all your ***Monthly Cash Flow Tracker Sheets***. The purpose of tracking your spending for two or three months is to make the "Now" columns of your ***Monthly Cash Flow Plan*** as accurate as possible. That will help you refine your "New Plan" goals.

Be sure to fill in the last three lines of the **Monthly Cash Flow Plan**: your total monthly income, total monthly outgo, and the difference between the two.

## 2. Compare Existing Spending to Guideline Budget

Using the **Monthly Guideline Budget** form and the **Guideline Percentage Sheet**, develop a Guideline Budget.

Next, transfer the Expense Category totals from the "Now" column of the **Monthly Cash Flow Plan** to the **Budget Analysis** form; then, transfer the figures from the **Guideline Budget** to the **Budget Analysis** form. Do the math – comparing the "Now" figures with the guideline figures. This will result in either a plus, minus, or neutral number for each category.

This is where you look for "Red Flags," those categories that show dramatic differences with the guidelines. This will assist you in adjusting your spending to make your new spending plan balance.

Fill in the New Monthly Budget column on the **Budget Analysis** form. Remember, the bottom line must equal zero (income minus expenses).

## 3. Develop the New Spending Plan

Once you're finished filling in the "Now" columns of the **Monthly Cash Flow Plan** and comparing existing spending with the guidelines, it's time to fill in the **"New Plan"** columns on the **Monthly Cash Flow Plan**.

- Monthly Income – In most cases, your planned income will be the same as your current income, unless you're working on increasing your income and it's realistic that your income will go up.

- Giving – We encourage you to aim for giving at least 10 percent of your <u>gross</u> monthly income.

- Saving – Again, we recommend saving and/or investing at least 10 percent of your <u>gross</u> monthly income. Before that however, you need to build up an emergency fund of at least four to six months worth of living expenses; then begin saving or investing. The only exception is if you have credit card or other types of non-mortgage debt. In that case, build up an emergency fund of one month's worth of living expenses, and then accelerate your debt payments. Once you're out of debt, build your emergency fund to four to six months of expenses, and then begin saving and/or investing.

- Debts – If you have credit card balances that you do not pay in full each month or other types of non-mortgage debt, commit to go no further into debt and then, at the very least, "fix" your payments. That means continuing to pay the amount that's due this month each and every month even if your minimum required payment declines. In the "New Plan" column, enter those fixed payment amounts for each of your debts except the one with the lowest balance. For that one, set a goal of paying more than the minimum. Enter the fixed minimum **plus** as much as you can come up with to get out of debt as soon as possible.

- **Now, input "New Plan" amounts in the rest of the spending categories in a way that leaves you with a balanced *Monthly Cash Flow Plan*. <u>All your income should be allocated; the last line, "Income Minus Outgo" must be zero</u>.**

**4. Setting Up Expense Account Sheets**

Now we are ready to transfer those refined "New Plan" figures to **Expense Account Sheets**. Those pages are where the budget really comes to life. Each page will reflect both debits (income) and credits (expenses) and will tell you instantly how much money you have available in each expense category. All spending is based on expense account sheet balances, not how much money you have in the bank! **These pages can be kept either manually on paper or using any one of a number of computer programs, such as Microsoft Excel.**

At this time it is also necessary to determine when you will allocate your income sources to your spending plan. The **Income Allocation Sheet** is the tool used for this step. Depending on when certain bills are due and your personal preferences, you decide how each paycheck or other income source is divided and allocated throughout the month.

**5. WORK THE PLAN ! Regular Ongoing Spending Plan Maintenance**

You wouldn't plan a road trip by marking out your route on a map and then toss the map aside and not use it. In the same way, now that you have a "road map to financial freedom," don't toss it aside. Success will come from following your map. You do that by regularly entering all transactions (income and expenses) on your **Expense Account Sheets**. You spend money according to the balance on each of those sheets. Maybe the best way to think of this is to mentally consider each of those sheets to be an envelope containing funds for that expense category. You spend out of the "envelope" according to you **Monthly Cash Flow Plan**. But, if the "envelope" is empty, you don't spend in that category until funds have been "deposited" into that category.

In almost every case adjustments in the **Monthly Cash Flow Plan** will be necessary as you begin using it. You will probably need to analyze how you're doing every month or so at first, and then every six months thereafter. Income and expenses change and you must adjust you plan accordingly.

**And finally………..**

**Remember, budgeting is not about *less.* Budgeting is actually about *more* – having more knowledge about where your money is going, so you can spend more effectively (that's good stewardship!). Stick with it! As you get accustomed to using a budget you will find yourself living with more margin financially, accomplishing more of your goals (short and long term), and enjoying a lot more peace of mind.**

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