

BUDGETING 101

CH

7

What do other high school students know about budgeting?

We asked high school students to share some tips on how to handle their money:

“Put yourself on a budget and **be wise with your money.** That way you won't be tempted to dip into your savings account.”
Freshman, Florida

“Expenses don't just happen, they're always there. It takes practice to save money and not spend it all.”

Junior, Utah

“It is a good idea to start saving with your first pay check because once you start spending, it is hard to stop.”

Junior, Tennessee

“Get direct deposit and put money right into your savings account. Then, only spend the money you have left over.”

Senior, Missouri

“It is good to make a money plan. You should save a percentage every month, even if it is not a lot.”

Freshman, Texas

LEARNING OUTCOMES

Explain how money is active.

Analyze reasons why people do not do a budget.

Examine common problems associated with budget failures.

Explain the benefits of a budget.

Demonstrate how to complete a zero-based budget.

KEY TERMS

Budget
Discipline
Envelope System
Impulse Purchase
Reconcile
Zero-Based Budget



BEFORE YOU BEGIN

What do you know about budgeting?

How do you rate compared to other young adults? Take the following survey and see how close you and your classmates line up with the ideas and values that other teens have about money.

Agree	Disagree	
<input type="checkbox"/>	<input type="checkbox"/>	1. It is important to know how to live within my means and have good money habits to be successful in life.
<input type="checkbox"/>	<input type="checkbox"/>	2. I expect and would like my parents to stop supporting me before age 25.
<input type="checkbox"/>	<input type="checkbox"/>	3. I am knowledgeable about money management, including budgeting and saving.
<input type="checkbox"/>	<input type="checkbox"/>	4. I am prepared to deal with the adult financial world after school.
<input type="checkbox"/>	<input type="checkbox"/>	5. I know how to budget my money.
<input type="checkbox"/>	<input type="checkbox"/>	6. I know how to balance a checkbook and reconcile an account register to a bank statement.
<input type="checkbox"/>	<input type="checkbox"/>	7. I know how to write a check.
<input type="checkbox"/>	<input type="checkbox"/>	8. I have more than \$100 in savings.

On average, I spend \$_____ per week.

My top three monthly expenses are:

1. _____
2. _____
3. _____

Cash Flow Planning

Money is _____.

You must do a written _____
plan every _____.

END OF VIDEO PART 1

You must also keep your checkbook _____.

_____ are a sign of crisis living and sloppy,
lazy _____ habits.

Use _____ checks if necessary.

If not managed and made to behave, the _____ card and
the _____ card are certain to become budget busters.

Reasons We Don't Do a Cash Flow Plan

Most people hate the word “budget” for four reasons:

1. It has a _____ connotation.
2. It has been used to _____ them.
3. They've never had a budget that _____.
4. Paralysis from _____ of what they
will find.

END OF VIDEO PART 2

MONEY FACTS

54% of those that do a poor job of sticking to a budget claim “unexpected expenses” as the reason.

bankrate.com

93% of teens say it's important to know how to live within your means.

Charles Schwab Survey

MORE INFO

It's important to know how much things cost before you buy. Whether it's a vacation, a car with all the options, or a house, you need to know the total price. A smart doctor once wrote, “Suppose one of you wants to build a tower. What is the first thing you will do? Won't you sit down and figure out how much it will cost and if you have enough money? What if you start building the tower, but cannot finish? Everyone who sees what is happening will laugh. They will say, ‘You started building, but could not finish the job.’” (Luke 14:28-30)

MORE INFO

Your budget will only work if you follow it. Here are three tips to help you stick to a budget.

WRITE IT DOWN

A budget is not a form of medieval torture! It is YOUR game plan, where YOU tell YOUR money what YOU want it to do. This isn't rocket science! Just give every dollar a name on paper.

STAY AWAY FROM PLACES THAT TEMPT YOU TO SPEND

If you have a problem sticking to a budget, you may not yet be disciplined. If that's the case, stay out of the mall or wherever your spending weakness occurs. Think of it like this: it's not smart for an alcoholic to hang out at a bar.

USE THE ENVELOPE SYSTEM

Take some envelopes, write the budget categories on the envelopes, and use only that money to purchase those items. Try only a couple of categories at first until you get the hang of it. If the money is not in there, you can't spend it. Easy as pie. And remember, it takes practice; you won't get it right the first time.

Cash flow plans do not work when you:

1. _____ things _____.
2. _____ your plan.
3. Don't actually _____.
4. Don't actually _____ on it.

Reasons We Should Do a Cash Flow Plan

A written plan removes the “management by _____” from your finances. _____ money goes farther.

A written plan, if actually lived and agreed on, will remove many of the _____ from your marriage.

A written plan, if actually lived and agreed on, will remove much of the _____, _____, and _____ that may be part of buying necessities such as food or clothing.

A written plan, if actually lived and agreed on, will remove many of the _____ from your life, consequently removing a lot of _____.

A written plan, if actually lived and agreed on, will show if you are _____ on a certain area.

How To Balance Your Checking Account

Keep your account register current by subtracting checks, debit card purchases and withdrawals. Then add deposits as they're made to keep your account balanced correctly.

Balance your checking account within 72 hours of receiving your bank statement or go online once a month to review your account and make sure there aren't any mistakes.

What do I need to balance my account?

1. Your account register
2. Your last bank statement (in print or online)
3. A reconciliation sheet (located on the back of most statements)

Where do I start?

Start by putting check marks in your register for each of the checks, debit card purchases and other withdrawals, as well as deposits included in your bank statement. Make an entry in your register for any bank service charges or interest paid.

On the reconciliation sheet, list any outstanding checks, withdrawals or other deductions that are in your register that are not on your bank statement and total the list.

On the reconciliation sheet, list any deposits that are in your register but are not included on your bank statement. Total the list.

Beginning with the ending balance from your bank statement, subtract the total withdrawals and add the total deposits that were not on your statement.

Compare with your register balance. If they don't agree, double check your lists and re-add your register entries until you find the difference. If the numbers will not agree, you're probably missing a transaction in your register. Make sure every transaction on your statement has been recorded and try again. In some cases, you may need your bank's help in getting your register to balance if you haven't done it in a while.

Checking Account Register						
Check Number	Date	Fee	Transaction Description	Payment	Deposit	Balance
5671	8/12	✓	One Stop Grocery	57.40		\$564.46
5672	8/14		Electric Company	101.00		507.06
	8/14		Paycheck		100.00	406.06
5673	8/16		Telephone Company	50.00		1106.06
5674	8/19		One Stop Grocery	66.00		990.06
		✓	Bank Service Charge	2.50		987.56

Reconciliation Sheet			
List the balance from your bank statement			
			\$ 504.56
List the withdrawal amounts in your register that aren't on your statement.			
The Electric Company	5672	8/14	101.00
Telephone Company	5673	8/16	50.00
One Stop Grocery	5674	8/19	66.00
TOTAL \$			217.00
			(-) \$ 217.00
List the deposit amounts in your register that aren't on your statement.			
Paycheck	8/14		100.00
TOTAL \$			100.00
			(+) \$ 100.00
			\$ 987.56
This should be your register balance			

“My mom and dad are trying to teach me how to keep a checkbook in order. Why is this so hard?”

DAVE’S ANSWER: It’s really not that hard. Keeping a checkbook in order is simple addition and subtraction. The problem most people seem to have is remembering to write everything down in it. Let’s say you start out with \$100. If you spend \$20, you have \$80 left, right? But when people forget to write down the money they spend, it throws everything off, and you end up thinking you have more money than you really do.

Just take a few seconds and write it down right after you buy something. It may take a little time, but it’s better than running out of money and getting nasty notes from the bank!

“I just got a part-time job, and I want to make sure I save some money in case something bad happens to my car. Do you think I should tell my parents I want to open a checking account AND a savings account?”

DAVE’S ANSWER: First, congratulations on the new job! You’ve taken a big first step toward financial independence.

Second, I think it’s a great idea to keep your checking and saving accounts separate, and here’s why. If you put all your money in one place, it becomes too easy to dip into your savings or emergency fund when you’re writing checks. This defeats the original purpose of saving money.

This separation acts as a mental note and a barrier. It’s a way of telling you that you’ve reached your spending limit!



The easiest and most powerful plan is a _____-based plan using the _____ system.

END OF VIDEO PART 3

There are no fill-in-the-blanks for parts 4-6. Turn to the forms beginning on page 100 to follow along with Dave.

How do you budget with irregular income?

First, make a list of all of your expenses for the month ahead. Write down absolutely everything that you'll need or want to spend money on. This includes everything from rent to gas to savings to weekend fun money. Write it all down.

Then, prioritize the list in order of importance. Ask yourself, "If I only have enough to pay for one thing, what would it be?" That's number one. Then ask, "If I only have enough to pay for one more thing, what would it be?" That's number two. Keep that up all the way down the list.

Now, you're ready to get paid! When your check comes in, just spend your money all the way down the list. When the money's gone, you're done spending for the month. That's why it is so important to prioritize the list. You may not have enough cash for everything you want to do each month, so make sure you're making the best with what you have.

REAL LIFE

Shaun sells real estate and has what we call an "irregular income." That just means his income fluctuates from month to month. If you're in this situation, you absolutely must do a monthly budget, but you'll do it a little differently.

Review and Recap

Do a written budget! You have to tell your money what to do.

Spend every dollar on paper before the month begins.

Use the envelope system and fill each envelope with the money allotted to that category.

When it's gone, you are done spending for that category—no ATM visits!

Give it time. It takes 3-4 months to get it right.

STUPID TAX

"I deposited my check at an ATM and went shopping the next day. My debit card was declined at the register and it was really embarrassing. I finally figured out that you shouldn't deposit money on a Saturday because banks are closed Sunday and the check won't post."

Senior, Missouri

"I overdrew my checking account one time because I wrote down an amount incorrectly. The bank was going to charge me over \$50 in fees for my \$3.36 error."

Senior, Alabama

Major Components of a Healthy Financial Plan

	ACTION NEEDED	ACTION DATE
Written Cash Flow Plan	Complete first budget	NOW!
Will and/or Estate Plan	Make an appt. with lawyer	June 6
Debt Reduction Plan	Begin debt snowball	July 1
Tax Reduction Plan	NA	NA
Emergency Funding	On hold until Baby Step 3	NA
Retirement Funding	On hold until Baby Step 4	NA
College Funding	On hold until Baby Step 5	NA
Charitable Giving	Start giving	June 15
Teach My Children	Get Financial Peace Jr.	August
Life Insurance	Done	NA
Health Insurance	Done	NA
Disability Insurance	Check company options	This week
Auto Insurance	Check current policy details	July 1
Homeowner's Insurance	Check replacement cost	This week

I Joe & Suzie Public, a responsible adult, do hereby promise to take the above stated actions by the above stated dates to financially secure the well-being of my (our) family and myself (ourselves).

Signed: Joe Q. Public Date: June 2

Signed: Suzie Q. Public Date: June 2

Consumer Equity Sheet

ITEM / DESCRIBE	VALUE	-DEBT	=EQUITY
Real Estate _____	\$180,000	\$149,000	\$31,000
Real Estate _____			
Car _____	\$2,500		\$2,500
Car _____	\$3,000		\$3,000
Cash On Hand			
Checking Account			
Checking Account			
Savings Account	\$1,600		\$1,600
Money Market Account			
Mutual Funds			
Retirement Plan 1	\$400		\$400
Retirement Plan 2	\$8,000		\$8,000
Cash Value (Insurance)			
Household Items	\$30,000		\$30,000
Jewelry			
Antiques			
Boat			
Unsecured Debt (Neg)			
Credit Card Debt (Neg)			
Other _____			
Other _____			
Other _____			
TOTAL	\$225,500	\$149,000	\$76,500

Income Sources

SOURCE	AMOUNT	PERIOD/DESCRIBE
Salary 1	\$2,716	1st of Month
Salary 2	\$945	1st & 15th - \$472.50
Salary 3		
Bonus		
Self-Employment		
Interest Income		
Dividend Income		
Royalty Income		
Rents		
Notes		
Alimony		
Child Support		
AFDC		
Unemployment		
Social Security		
Pension		
Annuity		
Disability Income		
Cash Gifts		
Trust Fund		
Other _____		
Other _____		
Other _____		
TOTAL	\$3,661	

Lump Sum Payment Planning

Payments you make on a non-monthly basis, such as insurance premiums and taxes, can be budget busters if you do not plan for them every month. Therefore, you must annualize the cost and convert these to monthly budget items. That way, you can save the money each month and will not be caught off-guard when your bi-monthly, quarterly, semi-annual, or annual bills come due. Simply divide the annual cost by 12 to determine the monthly amount you should save for each item.

ITEM NEEDED	ANNUAL AMOUNT		MONTHLY AMOUNT
Real Estate Taxes	_____	/ 12 =	_____
Homeowner's Insurance	_____	/ 12 =	_____
Home Repairs	<u>\$1,800</u>	/ 12 =	<u>\$150</u>
Replace Furniture	_____	/ 12 =	_____
Medical Bills	<u>\$600</u>	/ 12 =	<u>\$50</u>
Health Insurance	_____	/ 12 =	_____
Life Insurance	_____	/ 12 =	_____
Disability Insurance	_____	/ 12 =	_____
Car Insurance	_____	/ 12 =	_____
Car Repair/Tags	_____	/ 12 =	_____
Replace Car	_____	/ 12 =	_____
Clothing	_____	/ 12 =	_____
Tuition	_____	/ 12 =	_____
Bank Note	_____	/ 12 =	_____
IRS (Self-Employed)	_____	/ 12 =	_____
Vacation	<u>\$1,200</u>	/ 12 =	<u>\$100</u>
Gifts (including Christmas)	_____	/ 12 =	_____
Other _____	_____	/ 12 =	_____

Monthly Cash Flow Plan

Every single dollar of your income should be allocated to some category on this form. When you're done, your total income minus expenses should equal zero. If it doesn't, then you need to adjust some categories (such as debt reduction, giving, or saving) so that it does equal zero. Use some common sense here, too. Do not leave things like clothes, car repairs, or home improvements off this list. If you don't plan for these things, then you're only setting yourself up for failure later.

Yes, this budget form is long. It's *really* long. (Pages 104-107.) We do that so that we can list practically every expense imaginable on this form to prevent you from forgetting something. Don't expect to put something on every line item. Just use the ones that are relevant to your specific situation.

Every main category on this form has subcategories. Fill in the monthly expense for each subcategory, and then write down the grand total for that category. Later, as you actually pay the bills and work through the month, use the "Actually Spent" column to record what you really spent in each area. If there is a substantial difference between what you budgeted and what you spent, then you'll need to readjust the budget to make up for the difference. If one category continually comes up over or short for two or three months, then you need to adjust the budgeted amount accordingly.

Use the "% Take Home Pay" column to record what percentage of your income actually goes to each category. Then, use the "Recommended Percentages" form to see if your percentages are in line with what we recommend.

Notes:

- An asterisk (*) beside an item indicates an area for which you should use the envelope system.
- The emergency fund should get all the savings until you've completed your full emergency fund of three to six months of expenses (Baby Step 3).
- Don't forget to include your annualized items from the "Lump Sum Payment Planning" form, including your Christmas gift planning.

Monthly Cash Flow Plan (Continued)

BUDGETED ITEM	SUB TOTAL	TOTAL	ACTUALLY SPENT	% OF TAKE HOME PAY
CHARITABLE GIFTS		\$366		10%
SAVING				
Emergency Fund	\$224			
Retirement Fund				
College Fund		\$224		6%
HOUSING				
First Mortgage	\$915			
Second Mortgage				
Real Estate Taxes				
Homeowner's Ins.				
Repairs or Mn. Fee				
Replace Furniture	\$50			
Other _____		\$965		27%
UTILITIES				
Electricity	\$100			
Water	\$55			
Gas	\$75			
Phone	\$45			
Trash				
Cable	\$21	\$296		8%
*FOOD				
*Groceries	\$360			
*Restaurants	\$50	\$410		12%
TRANSPORTATION				
Car Payment				
Car Payment				
*Gas and Oil	\$150			
*Repairs and Tires				
Car Insurance	\$80			
License and Taxes				
Car Replacement		\$230		5%
PAGE 1 TOTAL		\$2,491		

Monthly Cash Flow Plan (Continued)

BUDGETED ITEM	SUB TOTAL	TOTAL	ACTUALLY SPENT	% OF TAKE HOME PAY
*CLOTHING				
*Children	_____		_____	
*Adults	<u>\$100</u>		_____	
*Cleaning/Laundry	_____	<u>\$100</u>	_____	<u>3%</u>
MEDICAL/HEALTH				
Disability Insurance	_____		_____	
Health Insurance	<u>\$300</u>		_____	
Doctor Bills	<u>\$50</u>		_____	
Dentist	<u>\$20</u>		_____	
Optometrist	_____		_____	
Medications	_____	<u>\$370</u>	_____	<u>10%</u>
PERSONAL				
Life Insurance	<u>\$65</u>		_____	
Child Care	_____		_____	
*Baby Sitter	_____		_____	
*Toiletries	_____		_____	
*Cosmetics	_____		_____	
*Hair Care	<u>\$60</u>		_____	
Education/Adult	_____		_____	
School Tuition	_____		_____	
School Supplies	_____		_____	
Child Support	_____		_____	
Alimony	_____		_____	
Subscriptions	_____		_____	
Organization Dues	<u>\$25</u>		_____	
Gifts (incl. Christmas)	_____		_____	
Miscellaneous	<u>\$50</u>		_____	
*Blow Money	<u>\$100</u>	<u>\$300</u>	_____	<u>8%</u>
PAGE 2 TOTAL		<u>\$770</u>	_____	

Monthly Cash Flow Plan (Continued)

BUDGETED ITEM	SUB TOTAL	TOTAL	ACTUALLY SPENT	% OF TAKE HOME PAY
RECREATION				
*Entertainment	\$50			
Vacation	\$25	\$75		2%
DEBTS (Hopefully None)				
Visa 1	\$100			
Visa 2				
Master Card 1	\$75			
Master Card 2				
American Express	\$50			
Discover Card				
Gas Card 1				
Gas Card 2				
Dept. Store Card 1				
Dept. Store Card 2				
Finance Co. 1				
Finance Co. 2				
Credit Line				
Student Loan 1	\$100			
Student Loan 2				
Other _____				
Other _____				
Other _____				
Other _____				
Other _____		\$325		9%
PAGE 3 TOTAL		\$400		
PAGE 2 TOTAL		\$770		
PAGE 1 TOTAL		\$2,491		
GRAND TOTAL		\$3,661		
TOTAL HOUSEHOLD INCOME		\$3,661		
		ZERO		

Recommended Percentages

How much of your income should be spent on housing, giving, food, etc.? Through experience and research, we recommend the following percentages. However, you should remember that these are only recommended percentages. If you have an unusually high or low income, then these numbers could change dramatically. For example, if you have a high income, the percentage that is spent on food will be much lower than someone who earns half of that.

If you find that you spend much more in one category than we recommend, however, it may be necessary to adjust your lifestyle in that area in order to enjoy more freedom and flexibility across the board.

ITEM	ACTUAL %	RECOMMENDED %
Charitable Gifts	<u>10%</u>	10 – 15%
Saving	<u>6%</u>	5 – 10%
Housing	<u>27%</u>	25 – 35%
Utilities	<u>8%</u>	5 – 10%
Food	<u>12%</u>	5 – 15%
Transportation	<u>5%</u>	10 – 15%
Clothing	<u>3%</u>	2 – 7%
Medical/Health	<u>10%</u>	5 – 10%
Personal	<u>8%</u>	5 – 10%
Recreation	<u>2%</u>	5 – 10%
Debts	<u>9%</u>	5 – 10%

Allocated Spending Plan

Now that you've already planned out the entire month on the "Monthly Cash Flow Plan," let's get just a little bit more precise. On this form, you will allocate—or spend—all of your money from each individual pay period.

There are four columns on this form, representing the four weeks in a given month. You will use one column for each week you get paid. If you are married and your spouse earns an income, then you will both use this same form. For weeks in which you both receive a paycheck, simply add those two incomes together and use a single column. Be sure to write the pay date at the top of the column.

Now, go down the list and allocate each expense to a specific payday, using your bills' due dates as a guide. For example, if your phone bill is due on the 22nd and you get paid on the 15th and 30th, then you know that you would probably pay that bill from your income on the 15th. Some things, like utility bills, will be paid monthly, while other items, such as food and gasoline, could be weekly. The point here is to anticipate both your upcoming expenses and your upcoming income and plan accordingly.

Beside each line item, you'll see two blanks separated by a slash (/). Put the expense to the left of the slash and the remaining income from that pay period to the right of the slash. As you work your way down the column, the income remaining should diminish until you reach a perfect zero at the bottom of the list. If you have money left over at the end of the column, go back and adjust an area, such as savings or giving, so that you spend every single dollar.

This level of detail may be uncomfortable to you at first, but the payoff is worth it. By specifically "naming" every dollar before you actually get it in your hands, you will remove an incredible amount of stress and curb your overspending.

NOTES:

- If you have an irregular income, such as self-employment or commissions, you should use the "Irregular Income Planning" form instead of this "Allocated Spending Plan."
- If you know that you have an impulse spending problem, then you may want to allocate more money to the "Blow" category. That way, you are at least planning for it and setting up some boundaries for yourself.
- An asterisk (*) beside an item indicates an area for which you should use the envelope system.

Allocated Spending Plan (Continued)

PAY PERIOD:	<u>7</u> / <u>1</u>	<u>7</u> / <u>8</u>	<u>7</u> / <u>15</u>	<u>7</u> / <u>22</u>
ITEM:				
INCOME	<u>\$3,188</u>	<u>0</u>	<u>\$472</u>	<u>0</u>
CHARITABLE	<u>366</u> / <u>2822</u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>
SAVING				
Emergency Fund	<u>224</u> / <u>2598</u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>
Retirement Fund	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>
College Fund	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>
HOUSING				
First Mortgage	<u>915</u> / <u>1683</u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>
Second Mortgage	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>
Real Estate Taxes	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>
Homeowner's Ins.	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>
Repairs or Mn. Fees	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>
Replace Furniture	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u>50</u> / <u>422</u>	<u> </u> / <u> </u>
Other _____	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>
UTILITIES				
Electricity	<u>100</u> / <u>1583</u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>
Water	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u>55</u> / <u>367</u>	<u> </u> / <u> </u>
Gas	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u>75</u> / <u>292</u>	<u> </u> / <u> </u>
Phone	<u>45</u> / <u>1538</u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>
Trash	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>
Cable	<u>21</u> / <u>1517</u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>	<u> </u> / <u> </u>
*FOOD				
* Groceries	<u>200</u> / <u>1317</u>	<u> </u> / <u> </u>	<u>160</u> / <u>132</u>	<u> </u> / <u> </u>
* Restaurants	<u>25</u> / <u>1292</u>	<u> </u> / <u> </u>	<u>25</u> / <u>107</u>	<u> </u> / <u> </u>

Allocated Spending Plan (Continued)

TRANSPORTATION

Car Payment	___ / ___	___ / ___	___ / ___	___ / ___
Car Payment	___ / ___	___ / ___	___ / ___	___ / ___
* Gas and Oil	75 / 1217	___ / ___	75 / 32	___ / ___
* Repairs and Tires	___ / ___	___ / ___	___ / ___	___ / ___
Car Insurance	80 / 1137	___ / ___	___ / ___	___ / ___
License and Taxes	___ / ___	___ / ___	___ / ___	___ / ___
Car Replacement	___ / ___	___ / ___	___ / ___	___ / ___

*CLOTHING

* Children	___ / ___	___ / ___	___ / ___	___ / ___
* Adults	100 / 1037	___ / ___	___ / ___	___ / ___
* Cleaning/Laundry	___ / ___	___ / ___	___ / ___	___ / ___

MEDICAL/HEALTH

Disability Insurance	___ / ___	___ / ___	___ / ___	___ / ___
Health Insurance	300 / 737	___ / ___	___ / ___	___ / ___
Doctor	50 / 687	___ / ___	___ / ___	___ / ___
Dentist	___ / ___	___ / ___	20 / 12	___ / ___
Optometrist	___ / ___	___ / ___	___ / ___	___ / ___
Medications	___ / ___	___ / ___	___ / ___	___ / ___

PERSONAL

Life Insurance	65 / 622	___ / ___	___ / ___	___ / ___
Child Care	___ / ___	___ / ___	___ / ___	___ / ___
* Baby Sitter	___ / ___	___ / ___	___ / ___	___ / ___
* Toiletries	___ / ___	___ / ___	___ / ___	___ / ___
* Cosmetics	___ / ___	___ / ___	___ / ___	___ / ___
* Hair Care	___ / ___	___ / ___	___ / ___	___ / ___
Education/Adult	60 / 562	___ / ___	___ / ___	___ / ___
School Tuition	___ / ___	___ / ___	___ / ___	___ / ___
School Supplies	___ / ___	___ / ___	___ / ___	___ / ___
Child Support	___ / ___	___ / ___	___ / ___	___ / ___

Allocated Spending Plan (Continued)

Alimony	___ / ___	___ / ___	___ / ___	___ / ___
Subscriptions	___ / ___	___ / ___	___ / ___	___ / ___
Organization Dues	25 / 537	___ / ___	___ / ___	___ / ___
Gifts (including Christmas)	___ / ___	___ / ___	___ / ___	___ / ___
Miscellaneous	50 / 487	___ / ___	___ / ___	___ / ___
*BLOW MONEY	100 / 387	___ / ___	___ / ___	___ / ___
RECREATION				
*Entertainment	50 / 337	___ / ___	___ / ___	___ / ___
Vacation	25 / 312	___ / ___	___ / ___	___ / ___
DEBTS (Hopefully None)				
Visa 1	100 / 212	___ / ___	___ / ___	___ / ___
Visa 2	___ / ___	___ / ___	___ / ___	___ / ___
MasterCard 1	75 / 137	___ / ___	___ / ___	___ / ___
MasterCard 2	___ / ___	___ / ___	___ / ___	___ / ___
American Express	50 / 87	___ / ___	___ / ___	___ / ___
Discover Card	___ / ___	___ / ___	___ / ___	___ / ___
Gas Card 1	___ / ___	___ / ___	___ / ___	___ / ___
Gas Card 2	___ / ___	___ / ___	___ / ___	___ / ___
Dept. Store Card 1	___ / ___	___ / ___	___ / ___	___ / ___
Dept. Store Card 2	___ / ___	___ / ___	___ / ___	___ / ___
Finance Co. 1	___ / ___	___ / ___	___ / ___	___ / ___
Finance Co. 2	___ / ___	___ / ___	___ / ___	___ / ___
Credit Line	___ / ___	___ / ___	___ / ___	___ / ___
Student Loan 1	87 / 0	___ / ___	12 / 0	___ / ___
Student Loan 2	___ / ___	___ / ___	___ / ___	___ / ___
Other _____	___ / ___	___ / ___	___ / ___	___ / ___
Other _____	___ / ___	___ / ___	___ / ___	___ / ___

Irregular Income Planning

Many people have an “irregular” income, which simply means that their compensation fluctuates from month to month. This is especially common for the self-employed, as well as commission-based salespeople. While this makes it more difficult to predict your income, you are still responsible for doing a monthly budget!

The “Monthly Cash Flow Plan” should remain a crucial part of your plan, as it lays out exactly how much money you need to bring home each month to survive and prosper. However, instead of doing the “Allocated Spending Plan,” you will use this “Irregular Income Planning” sheet.

On this form, simply look at the individual items from your “Monthly Cash Flow Plan” sheet and prioritize them by importance. Ask yourself, “If I only have enough money to pay one thing, what would that be?” Put that at the top of your list. Then, ask yourself, “If I only have enough money to pay one more thing, what would that be?” That’s number two. Keep this up all the way down the list.

With your list in place, you’re ready to get paid. If you get a \$1,500 paycheck, you will spend that \$1,500 right down the list until it is gone, recording the cumulative amount spent in the “Cumulative Amount” column. At that point, you’re finished spending, no matter what remains unpaid on the list. That’s why the most important things are at the top of the list, right?

Be prepared to stand your ground. Things usually have a way of seeming important when they are only urgent. For example, a once-in-a-lifetime opportunity to see your favorite band perform live may seem important, but in reality, it is only urgent, meaning that it is time-sensitive. Urgency alone should not move an item to the top of this list!

ITEM	AMOUNT	CUMULATIVE AMOUNT
JC Penney	\$150	\$150
Sears	\$250	\$400
Visa	\$500	\$900
Vacation - part	\$200	\$1100
Christmas	\$400	\$1500

Breakdown of Savings

After you have fully funded your emergency fund, you can start to save for other items, such as furniture, car replacement, home maintenance, or a vacation. This sheet will remind you that every dollar in your savings account is already committed to something. For example, it's a bad idea to take money away from car repairs to pay for an impulse Hawaiian vacation, even if you pay cash for it. What would you do if the car broke down the week you got back home? However, it can be okay to reassign the dollars to another category, as long as you do it on purpose and it doesn't put you in a pinch in another category. Keep up with your breakdown of savings every month.

ITEM	BALANCE BY MONTH		
	<u>October</u>	<u>November</u>	<u>December</u>
Emergency Fund (1) \$1,000	_____	_____	_____
Emergency Fund (2) 3-6 months	_____	_____	_____
Retirement Fund	_____	_____	_____
College Fund	_____	_____	_____
Real Estate Taxes	_____	_____	_____
Homeowner's Insurance	_____	_____	_____
Repairs or Mn. Fee	_____	_____	_____
Replace Furniture	_____	_____	_____
Car Insurance	_____	_____	_____
Car Replacement	<u>\$600</u>	<u>\$700</u>	<u>\$800</u>
Disability Insurance	_____	_____	_____
Health Insurance	<u>\$500</u>	<u>\$500</u>	<u>\$500</u>
Doctor	_____	_____	_____
Dentist	_____	_____	_____
Optometrist	_____	_____	_____
Life Insurance	_____	_____	_____
School Tuition	_____	_____	_____
School Supplies	_____	_____	_____
Gifts (incl. Christmas)	<u>\$500</u>	<u>\$650</u>	<u>\$800</u>
Vacation	_____	_____	_____
Other _____	_____	_____	_____
Other _____	_____	_____	_____
TOTAL	<u>\$1,600</u>	<u>\$1,850</u>	<u>\$2,100</u>

Basic Student Budget

ITEM	MONTHLY TOTAL	ACCOUNT
GIVING	_____	_____
SAVING	_____	_____
HOUSING		
Rent	_____	_____
Rental Insurance	_____	_____
UTILITIES		
Cell Phone	_____	_____
Food	_____	_____
Electric	_____	_____
Cable	_____	_____
Internet	_____	_____
TRANSPORTATION		
Car Payment	_____	_____
Gas	_____	_____
Oil Change	_____	_____
Repairs & Tires	_____	_____
Car Insurance	_____	_____
CLOTHING	_____	_____
PERSONAL		
Health Insurance	_____	_____
Entertainment	_____	_____
OTHER MISC.	_____	_____
TOTAL MONTHLY NECESSITIES	_____	

CHAPTER 7: MONEY IN REVIEW

Vocabulary

Active
ATM Card
Budget
Carbon Checks
Currency
Debit Card
Discipline
Envelope System
Hoarding
Impulse Purchase
Persistent
Pro-active
Procrastinate
Reconcile
Zero-based Budget

Matching

- a. budget
- b. irregular income form
- c. monthly cash flow form
- d. duplicate checks
- e. reconcile
- f. currency

- ___ 1. Form used to do a budget
- ___ 2. Form used by persons earning an inconsistent monthly income
- ___ 3. Process used to determine if the balance in your checking registry matches the balance reported on the bank statement
- ___ 4. Another name for cash flow plan
- ___ 5. Helps people who forget to record checks in their register after writing them

True or False

- ___ 6. You need to do a zero-based budget.
- ___ 7. You will pay interest on debit card purchases.
- ___ 8. A budget will be the same each and every month.
- ___ 9. You need to reconcile your bank statement within 72 hours of receiving it.
- ___ 10. People who don't earn a consistent salary monthly, do not have to do a budget.

Multiple Choice

- 11. Bounced checks are a sign of _____ living.
 - a. normal
 - b. crisis
 - c. comfortable
 - d. both a and b
- 12. A written budget should be done every
 - a. month
 - b. week
 - c. 3 months
 - d. 6 months
- 13. Your monthly budget should include
 - a. fixed expenses
 - b. variable expenses
 - c. money to blow
 - d. all of the above

14. What would account for a difference in balances in your checkbook registry and bank statement after reconciling the two?
- an error or omission
 - outstanding checks that didn't clear
 - deposits that did not post
 - all of the above
15. Doing a budget does not:
- lead to an increase in arguments
 - make your money go farther
 - show if you are overspending in an area
 - remove guilt and shame sometimes associated with purchases

Short Answer

16. Explain how to complete a zero based budget.
17. What are some reasons why the balance in your checkbook registry might not match the balance on your bank statement.
18. Why do you need a written budget even when you know you can afford your expenses?
19. How does a budget differ when you have an irregular income vs. a predictable income?
20. How can a budget help when you are working on Baby Step 2?

Case Studies

21. Paul just received his bank statement in the mail. The ending balance on the account showed that he had \$385.22 available. However, last night on the way to the movies, Paul stopped at the ATM and withdrew \$20. The ATM receipt showed a balance of only \$174.38. What are some possible reasons for the difference in balances?

22. Kimberly works for a well known financial company as a sales representative. She earns a small base salary but receives commission off every product she sells. Kimberly has basic living expenses (rent, utilities, food, gas, car insurance etc.) in addition to a student loan. She wants to start adding to her Roth IRA and buy a new television and sound system for her house. She never knows what her monthly income will be due to the commissions. What advice can you give her to help her meet her goals?
23. Neal and Catherine recently graduated from college and are starting a family. Currently, they are just making ends meet with their \$45,000 salary. They want to contribute the maximum amount (currently \$2,000) to fully fund an Educational Savings Account when their baby is born. How much additional money will they need to budget every month and what are some things they can do to their budget to find the money?