

Budget is a Dirty Word

**Money management
for those who hate to
manage money**

Presented by Carol Topp, CPA

A Spending Plan is...

A way to reach our financial goals and live out our values

- ▶ Gives us facts
- ▶ Avoids waste and overspending
- ▶ Keeps our priorities in check
- ▶ Leads to financial freedom
 - No freedom without limits
- ▶ Lets us control our money instead of our money controlling us!

SPENDING PLAN

EARNINGS/INCOME PER MONTH	TOTALS
Salary #1 (net take-home) _____	
Salary #2 (net take-home) _____	
Other (less taxes) _____	
TOTAL MONTHLY INCOME	\$_____

% GUIDE

1. GIVING	\$_____
Church _____	
OTHER CONTRIBUTIONS _____	

2. SAVING	5-10%	\$_____
EMERGENCY _____		
REPLACEMENT _____		
LONG TERM _____		

3. DEBT	0-10%	\$_____
CREDIT CARDS:		
VISA _____		
Master Card _____		
Discover _____		
American Express _____		
Gas Cards _____		
Department Stores _____		
EDUCATION LOANS _____		
OTHER LOANS:		
Bank Loans _____		

6. INSURANCE (Paid by you)	5%	\$_____
AUTO _____		
HOMEOWNERS _____		
LIFE _____		
MEDICAL/DENTAL _____		
Other _____		

7. HOUSEHOLD/PERSONAL	15-25%	\$_____
GROCERIES _____		
CLOTHES/DRY CLEANING _____		
GIFTS _____		
HOUSEHOLD ITEMS _____		
PERSONAL:		
Liquor/Tobacco _____		
Cosmetics _____		
Barber/Beauty _____		
OTHER:		
Books/Magazines _____		
Allowances _____		
Music Lessons _____		
Personal Technology _____		
Education _____		
Miscellaneous _____		

8. ENTERTAINMENT	5-10%	\$_____
GOING OUT:		
Meals _____		

Spending Plan Order

- ▶ Give. . . something first
- ▶ Save. . . at least 10% for the future
Start with \$1,000
- ▶ Debt. . . maximize repayment
- ▶ Spending. . . planned beforehand

Different Priorities

Most of us live like this:

Income

– Spending

= Give and Save

Instead we should live like this:

Income

– Give

– Save

– Debt Payment

= Spending

Is It a Need?

- ▶ **Want or Need?**

Needs: food, clothing, shelter, transportation

Wants: everything else

- ▶ **There is an Opportunity Cost for everything**

What else could I do with the money?

Saving & Giving

Benefits of Saving

- ▶ To meet future needs without debt
- ▶ Freedom from bondage
- ▶ To have more choices



Benefits of Giving

- ▶ To bless others
- ▶ To break the power of money



ENVELOPE SYSTEM



Make It Automatic

- ▶ Automatic transfer to savings account
- ▶ Payroll deduction into 401(k) plan
- ▶ Automatic mortgage & utility payments
- ▶ On-line banking for monthly bills
- ▶ Automatic investments into IRAs, Roths, 529s, etc..

Dangers of Debt

- ▶ Presumes on the future
- ▶ Denies God the opportunity to bless us
- ▶ Fosters envy and greed
- ▶ Allows us to live a lie

Credit Card Rules

1. Use only for budgeted items
2. Pay the balance in full every month

*If you violate rule # 1 or # 2
cut up your cards (plastic
surgery)*



You are in trouble if...

- ▶ Miss a payment
- ▶ Have no savings
- ▶ At your credit limit
- ▶ Only able to make minimum payments
- ▶ Using a quick cash service
- ▶ Family fights over money



Call Consumer Credit Counselling Services

1-800-355-2227

www.cccservices.com

What to do if the ends don't meet

- ▶ Don't get discouraged. Get encouragement
- ▶ Pray for wisdom and guidance
- ▶ Increase your income. Sell some assets.
- ▶ Reduce your expenses. Redo your Spending Plan.
- ▶ Borrow wisely
 - Avoid cash advances
 - Follow credit card rules

How to get out of debt

- ▶ Decrease spending & add it to your minimum balance
 - Ideas? Cable, cell phone, subscriptions, dining out, lottery tickets, hair & nails, shoes, lunch, lattes, home decor, DVDs, gadgets, bottled drinks, takeout
- ▶ Pay off smallest debt first
 - As a debt is paid, roll the amount you were paying into the next largest debt (a snowball)
 - Incur no new debt!

Debt snowball example

<u>Debt</u>	<u>Balance</u>	<u>Min</u>	<u>Extra</u>	<u>New Pymt</u>	<u>Payoff</u>
Sears	\$250	\$25	\$100	\$125	2 months
Visa	\$500	\$26	\$125	\$151	3 more months
Car	\$2,500	\$150	\$151	\$301	6 more months
Loan	\$5,000	\$200	\$301	\$501	6 more months

As a debt is paid, roll the amount you were paying into the next largest debt (a snowball)

After two months: Sears PAID!

After 3 more months VISA PAID OFF!

After one year, three debts PAID OFF!

Resources

- ▶ **Crown.org** for books and articles
- ▶ **DaveRamsey.com** Radio program, books and classes at local churches
- ▶ **GoodSenseMinistry.com** Budget course offered at local churches. Click on Resources for helpful charts
- ▶ **FeedThePig.org** interactive site for 20s and 30s, podcasts, quizzes, etc.

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Salary #1 (net take-home)	_____	
Salary #2 (net take-home)	_____	
Other (less taxes)	_____	
TOTAL MONTHLY INCOME		\$ _____

% GUIDE

1. GIVING	\$ _____
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Church	_____	
OTHER CONTRIBUTIONS	_____	

2. SAVING	5-10%	\$ _____
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EMERGENCY	_____	
REPLACEMENT	_____	
LONG TERM	_____	

3. DEBT	0-10%	\$ _____
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CREDIT CARDS:		
VISA	_____	
Master Card	_____	
Discover	_____	
American Express	_____	
Gas Cards	_____	
Department Stores	_____	
EDUCATION LOANS _____		
OTHER LOANS:		
Bank Loans	_____	
Credit Union	_____	
Family/Friends	_____	
Other	_____	

4. HOUSING	25-38%	\$ _____
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MORTGAGE/TAXES/RENT	_____	
MAINTENANCE/REPAIRS	_____	
UTILITIES:		
Electric	_____	
Gas	_____	
Water	_____	
Trash	_____	
Telephone/Internet	_____	
Cable TV	_____	
Other	_____	

5. AUTO/TRANSP.	12-15%	\$ _____
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CAR PAYMENTS/LICENSE _____		
GAS & BUS/TRAIN/PARKING _____		
OIL/LUBE/MAINTENANCE _____		

6. INSURANCE (Paid by you)	5%	\$ _____
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AUTO	_____	
HOMEOWNERS	_____	
LIFE	_____	
MEDICAL/DENTAL	_____	
Other	_____	

7. HOUSEHOLD/PERSONAL	15-25%	\$ _____
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GROCERIES	_____	
CLOTHES/DRY CLEANING	_____	
GIFTS	_____	
HOUSEHOLD ITEMS	_____	
PERSONAL:		
Liquor/Tobacco	_____	
Cosmetics	_____	
Barber/Beauty	_____	
OTHER:		
Books/Magazines	_____	
Allowances	_____	
Music Lessons	_____	
Personal Technology	_____	
Education	_____	
Miscellaneous	_____	

8. ENTERTAINMENT	5-10%	\$ _____
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GOING OUT:		
Meals	_____	
Movies/Events	_____	
Baby-sitting	_____	
TRAVEL (VACATION/TRIPS) _____		
OTHER:		
Fitness/Sports	_____	
Hobbies	_____	
Media Rental	_____	
Other	_____	

9. PROF. SERVICES	5-15%	\$ _____
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CHILD CARE	_____	
MEDICAL/DENTAL/PRESC.	_____	
OTHER		
Legal	_____	
Counseling	_____	
Professional Dues	_____	

10. MISC. SMALL CASH EXPENDITURES	2-3%	\$ _____
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TOTAL EXPENSES \$ _____

* This is a % of total monthly income. These are guidelines only and may be different for individual situations. However, there should be good rationale for a significant variance.

TOTAL MONTHLY INCOME	\$ _____
LESS TOTAL EXPENSES	\$ _____
INCOME OVER/(UNDER) EXPENSES	\$ _____