

Week 5: Budgeting

What is a budget?

- A plan: Provides a map to achieving your goals
- A guide: Provides rules to guide your spending
- An overview: Provides an overall look at spending habits
- A reflection: Provides a picture of your priorities

The Process

Analyze

- Identify what is and isn't working, why you want to get your finances more organized.
- What are your essential expenses? What expenses are most important to you?
- What are your goals for saving or paying off debt?

Strategize

- Brainstorm categories of expenses and estimate a rough budget for each category.
- Think about how you'll keep track of your budget, what tools and techniques you'll use, what accounts you need to set up, etc.

Attack

1. **Sort** – track/assess all of your expenses and income
2. **Purge** – identify ways to cut back on spending
3. **Assign a home** – assign each expenditure to a category
4. **Containerize** – set your budget for each category, set up any tools you're using
5. **Equalize** – maintain your budget

Setting up your budget

1. Determine monthly **net income**
2. Identify **fixed living expenses**
3. Subtract fixed expenses from net income
4. Quantify your **goals** (e.g. saving, debt repayment)
5. Identify **variable living expenses & discretionary** (fun, "not necessary") **spending**
6. Add it up and adjust as necessary

Tips

<p>Conscious spending</p> <ul style="list-style-type: none"> • Think before you buy • Plan your purchases • Carry a reminder of your goals/budget • Measure everything against your goals 	<p>Tracking your spending</p> <ul style="list-style-type: none"> • Track every single dollar • Have one place to keep receipts • Use notebook/app for cash purchases • Review purchases regularly
<p>Sticking to your budget</p> <ul style="list-style-type: none"> • A "cash diet" can help enforce limits • Debit & credit can enable tracking • Set up automatic bill payments & savings transfers 	<p>Saving</p> <ul style="list-style-type: none"> • Emergency fund (6+ months' expenses) • Retirement • Specific goals • Pay yourself first

More information and resources can be found online at kwfreeskool.wordpress.com