

BUILDING A BETTER BUDGET



If you are one of the many people for who thinks a budget is too restrictive, you may be surprised to learn that the opposite is true. A well-designed budget is the best way for you to reach goals and achieve financial independence – without having to sacrifice all of life's pleasures.

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WHY BUDGET?

- Achieve goals
- Use money efficiently
- Become financially independent
- One rule: expenses < income



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OBSTACLES TO GETTING STARTED



- Easy to procrastinate
- Feeling there is never enough money
- Hard to confront past decisions
- Goals are overwhelming
- Fear lifestyle changes

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CHARACTERISTICS OF GOALS

- Specific
- Measurable
- Attainable
- Realistic
- Time-bound



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FINANCIAL GOAL CHART

YOUR GOALS	TARGET DATE	TOTAL NEEDED	CURRENT SAVINGS	ADDITIONAL SAVINGS NEEDED	PAY PERIOD UNTIL TARGET DATE	SAVINGS NEEDED PER PAY PERIOD	SAVINGS NEEDED PER MONTH
Short-term Goals (under 1 year)							
Mid-term Goals (1-5 years)							
Long-term Goals (over 5 years)							

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SAMPLE GOALS

GOAL-TYPE	GOAL	TARGET-DATE	TOTAL-NEEDED	MONTHLY-DEPOSIT
Short-term	Emergency-savings-account	1-Year	\$1,800	\$150
Mid-term	Repay-debt	3-Years	\$5,000	\$200
Long-term	Fund-retirement	30-Years	\$1,000,000	\$350
Total-monthly-savings-for-all-goals:				\$700

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ESTABLISH AN EMERGENCY FUND

- 3-6 months of essential living expenses
- Liquid account
- Create a fund while working to pay off debts



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SAVE FOR GOALS WHILE REPAYING DEBT

- Save for an emergency fund even if you have debt
 - *Won't have to rely on credit if there is an emergency*
- Save for retirement
 - *Reduces taxable income*
 - *Many employers match contributions*
 - *Time is on your side. Compounding*
- May want to delay saving for less vital goals
 - *Interest charged on debt usually higher than interest earned on investments*

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CREDIT CARD EXAMPLE

- \$2,000 balance
- 19.8% APR
- Minimum payment 2.5% of balance or \$20, whichever is higher
- Make only the minimum payments:
 - *It will take almost 14.5 years to repay*
 - *Costing \$2,848 in interest*

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START SAVING NOW

- We spend what we make
- Automate it!
- Don't wait until after bills are paid
- Pay yourself first

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TRACK WHERE IT GOES

- Write it all down
- Keep receipts
- Use debit or credit card
- Monitor ATM use
- Use expense tracking software or mobile app



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CONSTRUCT A BUDGET

- Paper budget form
- Online budget form
- Spreadsheet

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INCOME

- Be conservative with non-guaranteed income estimates:
 - *Overtime*
 - *Bonuses*
 - *Fluctuating income*
 - *Commissions*
 - *Seasonal*
- If you get a large refund, you may want to adjust tax withholdings

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EXPENSES

- Two columns – current and proposed
- In “current” column, list all current expenses:
 - *Fixed*
 - *Variable/Periodic*
- Subtract total from income
- Make changes if needed:
 - *Essential vs. discretionary*
 - *Add goals*

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ACTION ITEMS

- Increase income:
 - *Overtime, part-time, side job, better pay, sell things*
- Decrease spending:
 - *Reduce, substitute, postpone, forego*
- Don't forget goals!

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BUDGET BUSTERS - DEBT

- Understand positive debt vs. negative debt
- Don't charge more than you can pay off in full
- Seek lower interest rates
- Pay more than the minimum



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BUDGET BUSTERS – SPENDING

- Money Choice Assessment:
 - *Do I need it?*
 - *Do I need it now?*
 - *What would happen if I didn't have it?*
 - *What is the cost per use?*

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STAY MOTIVATED

- Visualize success
- Stay organized
- Be realistic
- Monitor progress
- Adjust as you go
- Reward yourself along the way



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WHAT ARE YOU GOING TO DO NOW?

- What can you do today? In 3 months? This year?
- Draw up a milestone calendar
- Remember:
 - a budget is a springboard to financial independence
- Have patience:
 - success doesn't happen overnight

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BALANCESM is a financial education and counseling service.
Services include money management counseling, debt
repayment options, credit report review and more.

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