### **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**

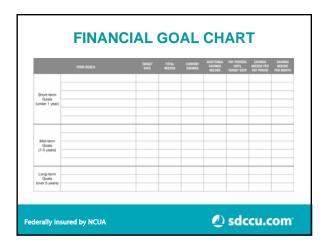


- Easy to procrastinate
- Feeling there is never enough money
- Hard to confront past decisions
- Goals are overwhelming
- Fear lifestyle changes

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# 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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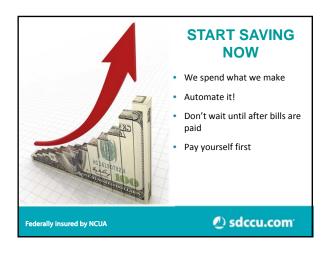


#### **CREDIT CARD EXAMPLE**

- \$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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## 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 sdccu.com Federally insured by NCUA **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 sdccu.com Federally insured by NCUA **ACTION ITEMS** • Increase income: - Overtime, part-time, side job, better pay, sell things • Decrease spending: - Reduce, substitute, postpone, forego • Don't forget goals! Federally insured by NCUA sdccu.com

#### 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 sdccu.com Federally insured by NCUA BALANCE BALANCE<sup>SM</sup> is a financial education and counseling service. Services include money management counseling, debt repayment options, credit report review and more. Call toll-free (888) 456-2227 or visit balancepro.org sdccu.com Federally insured by NCUA