

# Six Steps to Create a Personal Budget



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**Marc Bancroft**  
**Business Development Officer**  
mbancroft@sdccu.com

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# What is a Budget?

- Budgeting is the process of creating a plan to spend your money.
- This spending plan is called a budget.
- Creating a spending plan allows you to determine whether you will have enough money to do the things you need or would like to do.
- A budget allows you to; live within your means, keep debt in check, save and reduce stress about money.

*“A budget is telling your money where to go instead of wondering where it went.” ~ John C. Maxwell*

# Six Steps to Create a Personal Budget

1. Set goals
2. Identify income and expenses
3. Select a budget method
4. Cut spending
5. Get organized
6. Visualize success



# Step #1: Set Goals

## If it is important for you to:

- Live without money worries
- Buy a home
- Travel
- Pay for college
- Buy your dream vehicle

## Your goal may be to:

- ...Pay off credit cards and debt
- ...Save for a down payment
- ...Save to pay for a bucket list trip
- ...Plan early and save
- ...Save up for a down payment or to buy it with cash

# Create a Plan with Short, Mid and Long-Term Goals

	Your Goals	Target Date	Total Needed	Monthly Deposit
<b>Short-term (&lt; year)</b>	Emergency savings	1 year	\$2,100	\$175
<b>Mid-term (1-5 years)</b>	Pay off credit card debt	3 years	\$6,300	\$175
<b>Long-term (+ 10 years)</b>	Down payment for a home	10 years	\$120,000	\$1,000
			Total Monthly Savings:	\$1,350

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# Step #2: Identify Income and Expenses

Start by making a list of all your household income sources and the amounts:

- Collect your W-2s, 1099's and be conservative with income sources that are not guaranteed like commissions, bonuses or seasonal work.



# Step #2: Identify Income and Expenses

- Record and track your spending carefully for one month.
- Start with necessities like food, shelter, clothing and transportation.
- List out all other expenses like entertainment, eating out, television streaming services, gym memberships, giving, saving, etc.



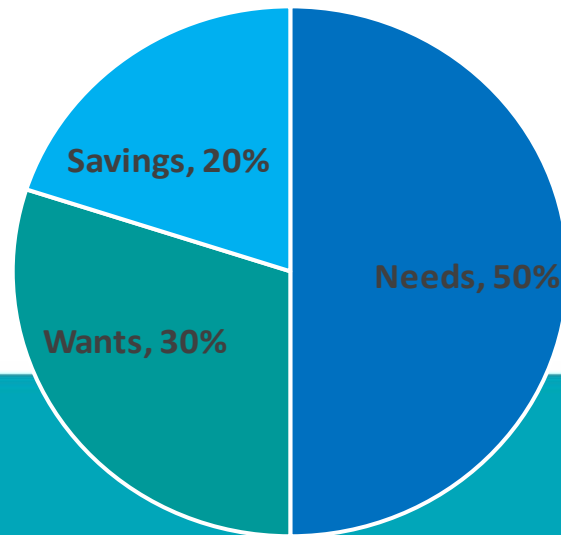


## Step #3: Select a Budget Method

- The 50/30/20 Rule
- Zero Based Budget
- 80/20 Method

# The 50/30/20 Rule

- **50% Needs:** These include things like housing, utilities, transportation and health care expenses; at least the minimum payments on your debts; and the bare minimum of basic clothing and supplies for living.
- **30% Wants:** This category includes expenses like dining out, alcohol, cable TV, internet, shopping trips, vacations, memberships, subscriptions, gifts, entertainment and other luxuries.
- **20% Savings:** You can use this money to build an emergency fund, save for a down payment on a home, invest for retirement, pay off your student loan debt or credit card more quickly than required.



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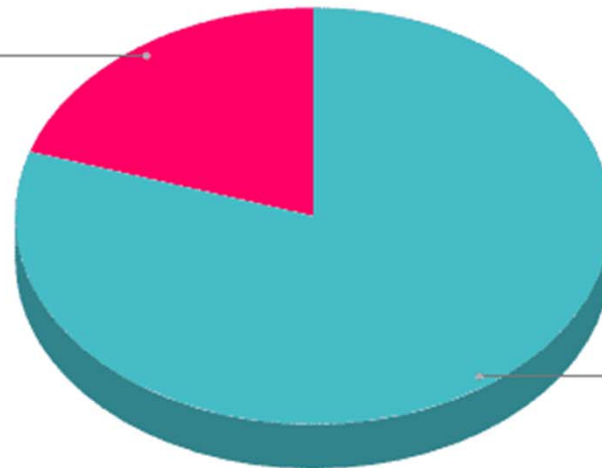
# Zero Based Budget

1. Write down monthly income
2. Track your monthly expenses
3. Subtract your income from expenses to equal zero

# 80/20 Method

80/20 Budget

Savings  
20.0%



Living Expenses  
80.0%

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# Step #4: Cut Spending

## Ways to cut spending:

- **Eating out**– If you skip one \$20 restaurant meal each week, you can save up to \$1,040 a year!
- **Entertainment** –If you skip a \$10 movie night once a week, and take home a free DVD from the library instead, you can save \$520 per year!
- **TV Service** – If you cancel a \$100 monthly cable subscription and switch to an \$8 streaming service, you'll save \$1,104 per year!
- **Credit Card Interest** – If you have a balance of \$3,000 on a card with a 15% APR, once it's paid off, you'll save about \$444 per year!

# Step #5: Get Organized

- Purge your office
- Organize with colors and labels
- Use storage boxes & containers
- Segment your work zones
- Organize your desk accessories
- De-clutter and organize your laptop/desktop
- Have inspirational reminders

# Step #6: Visualize Success

- Understand your why
- Visualize outcomes in great detail
- Seize the power of deadlines
- Stay in the zone
- Harness the power of optimism
- Reward yourself





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