

Budget Crafter

Directions

Welcome to the Budget Crafter, where you get step by step instructions on how to create a personalized budget. Budgets are great tools to encourage financial awareness, proactive planning, and continuous improvement of your finances. Here we will build a monthly zero-based budget using a spreadsheet.

How to Use This Tool:

1. Record Your Income: Log all sources of income for the time period
2. Record Your Expenses: List all your expenses during the same time period
3. Balance the Budget: Resolve net cash flow
4. Plan Next Month: Prioritize and set targets for the next month
5. Rinse and Repeat

By regularly using your budget, you'll create a deeper connection to your money, reduce stress, and move closer to financial stability and freedom.

Step 1: Record Your Income

Take a look through your bank statements and add each income source as a line in your budget. Add up all the income you get from each source and put the sum into your budget.

Example:

Income	
	January
United Childcare	\$3,249.78
Dog Sitting	\$350.00
Other	\$0.00
Total	\$3,599.78

Step 2: Determine Spending

Take a look through your bank statements and add each expense source as a line in your budget. Add up all the expenses from each source and put the sum into your budget.

Example:

Expenses	
	January
Grocery	\$300.00
Utilities	\$847.88
Rent/Mortgage	\$2,000.00
Transportation	\$0.00
Gas	\$45.00
Auto Insurance	\$100.00
Other Expenses	\$126.19
Total	\$3,419.07

Step 3: Balance the Budget

Take a look at your cash flow i.e. income minus expenses. If your cash flow is positive, i.e. you made more money than you spent, take the excess income and put it to use. If your cash flow is negative, i.e. you made less money than you spent, you need to pull money from another source, likely savings, to make up the difference.

Example:

Investments		
	January	
Savings Account	\$0.00	
Total	\$0.00	
Total		
	January	
Income	\$3,599.78	
Expenses	\$3,419.07	
Spending	\$0.00	
Investments	\$0.00	
Total	\$180.71	

Investments		
	January	
Savings Account	\$180.71	
Total	\$180.71	
Total		
	January	
Income	\$3,599.78	
Expenses	\$3,419.07	
Spending	\$0.00	
Investments	\$180.71	
Total	\$0.00	

Cash flow was \$180.71 at the end of January. To utilize the extra cash, it is put into the savings account.

Step 4: Project and Prioritize

Take a look at your spending for the current month. We can assume that the majority of months will look the same outside of one time income/expenses. Are we using our money effectively? Ask yourself questions like:

- Is my income too low? How can I increase it?
- What spending does not align with my goals?
- What goals should I put my extra cash towards?

Set targets for the next month, adjusting categories up or down in order to move your finances slightly closer to long term goals.

Example:

Income		
	January	February (Target)
United Childcare	\$3,249.78	\$3,249.78
Dog Sitting	\$350.00	\$420.00
Other	\$0.00	\$0.00
Total	\$3,599.78	\$3,669.78
Expenses		
	January	February (Target)
Grocery	\$300.00	\$250.00
Utilities	\$847.88	\$847.88
Rent/Mortgage	\$2,000.00	\$2,000.00
Transportation	\$0.00	\$0.00
Gas	\$45.00	\$45.00
Auto Insurance	\$100.00	\$100.00
Other Expenses	\$126.19	\$0.00
Total	\$3,419.07	\$3,242.88

Investments		
	January	February (Target)
Savings Account	\$180.71	\$426.90
Total	\$180.71	\$426.90
Total		
	January	February (Target)
Income	\$3,599.78	\$3,669.78
Expenses	\$3,419.07	\$3,242.88
Spending	\$0.00	\$0.00
Investments	\$180.71	\$426.90
Total	\$0.00	\$0.00

Income is increased \$70 by taking on another dog sitting job and expenses are decreased \$176.19 by lowering the grocery budget and cutting out misc. expenses. All the extra money is put into savings. If I do this for four months, I will have my \$1000 emergency fund!

Step 5: Rinse and Repeat

Repeat all the steps at the end of each time period. Given enough time, your cash will begin to work for you instead of holding you back!