

## Step 3: Creating a budget

A Monthly Budget Guide is one of the most important tools to good money management. It is a simple aid created to give you an overview of your current economic situation and a glimpse of your foreseeable future.



### 70-20-10 rule

*A good way to keep debt in check is to follow the 70-20-10 rule.*

70%	20%	10%
Living Expenses	Savings or Investment	Debt Payments
Housing Expenses (Rent/Mortgage, etc.) Food Gasoline	Financial Goals Emergency Expenses	Credit Cards Loans

# 1

#### **Gather every financial statement you can.**

- ☐ bank statements
- ☐ investment accounts
- ☐ recent utility bills
- ☐ any information regarding a source of expense

The key for this process is to create a monthly average so the more information you can dig up the better.

# 2

#### **Record all of your sources of income.**

- ☐ self-employed
- ☐ any outside sources of income like child support

If your income is in the form of a regular paycheck where taxes are automatically deducted then using the net income, or take home pay, amount is fine.

# 3

#### **Create a list of all monthly expenses - all the expected expenses you have over the course of a month.**

- ☐ mortgage payment
- ☐ car payments
- ☐ auto insurance
- ☐ groceries
- ☐ utilities
- ☐ entertainment
- ☐ dry cleaning
- ☐ retirement
- ☐ college savings

# 4

#### **Total your monthly income and monthly expenses.**

If your end result shows more income than expenses you are off to a good start. This means you can prioritize this excess to areas of your budget such as retirement savings or paying more on credit cards to eliminate that debt faster.

If you are showing a higher expense column than income it means some changes will have to be made.

# 5

#### **Make adjustments to expenses. The ultimate goal would be to have your income and expense columns equal. This means all of your income is accounted for and budgeted for a specific expense.**

# Monthly Budget Guide

Month: \_\_\_\_\_

## Income

### Sources of Income

Salary 1 \_\_\_\_\_  
 Salary 2 \_\_\_\_\_  
 Alimony \_\_\_\_\_  
 Pension \_\_\_\_\_  
 Child Support \_\_\_\_\_

Social Security \_\_\_\_\_  
 SSI \_\_\_\_\_  
 Interest \_\_\_\_\_  
 Annuities \_\_\_\_\_  
 Other \_\_\_\_\_

**Total Net Income:****\$** \_\_\_\_\_

## Expenses

### Savings

Emergency Fund \_\_\_\_\_  
 Retirement \_\_\_\_\_  
 Housing \_\_\_\_\_  
 Rent/Mortgage \_\_\_\_\_  
 2<sup>nd</sup> Mortgage \_\_\_\_\_  
 Flood Insurance \_\_\_\_\_  
 Homeowners INS \_\_\_\_\_  
 Real Estate Taxes \_\_\_\_\_  
 Repair/Maint. Fee \_\_\_\_\_  
 Other \_\_\_\_\_

### Utilities

Cable \_\_\_\_\_  
 Cellular Phone \_\_\_\_\_  
 Electricity \_\_\_\_\_  
 Gas \_\_\_\_\_  
 Internet Service \_\_\_\_\_  
 Telephone \_\_\_\_\_  
 Trash/ Sanitation \_\_\_\_\_  
 Water \_\_\_\_\_

### Food

Grocery \_\_\_\_\_  
 Eat Out \_\_\_\_\_  
 Lunches \_\_\_\_\_  
 Pets \_\_\_\_\_  
 Other \_\_\_\_\_

### Transportation

Car Payment 1 \_\_\_\_\_  
 Car Payment 2 \_\_\_\_\_  
 Gas & Oil (*for car*) \_\_\_\_\_  
 Insurance \_\_\_\_\_  
 Repairs \_\_\_\_\_

### Clothing

Adult \_\_\_\_\_  
 Children \_\_\_\_\_  
 Laundry \_\_\_\_\_

### Medical/ Health

Dentist \_\_\_\_\_  
 Disability Ins. \_\_\_\_\_  
 Doctor Bills \_\_\_\_\_  
 Health Ins. \_\_\_\_\_  
 Optometrist \_\_\_\_\_  
 Prescription \_\_\_\_\_  
 Other \_\_\_\_\_

### Personal

Alimony \_\_\_\_\_  
 Child's allowance \_\_\_\_\_  
 Cosmetics \_\_\_\_\_  
 Hair Care/Barber \_\_\_\_\_  
 Gifts \_\_\_\_\_  
 Life Insurance \_\_\_\_\_

Toiletries \_\_\_\_\_  
 Dues \_\_\_\_\_  
 Subscriptions \_\_\_\_\_  
 Miscellaneous \_\_\_\_\_

### School/Child Care

Baby Sitter \_\_\_\_\_  
 Child Care \_\_\_\_\_  
 Education \_\_\_\_\_  
 School Supplies \_\_\_\_\_  
 School Fees \_\_\_\_\_  
 Transportation \_\_\_\_\_

### Recreation

Entertainment \_\_\_\_\_  
 Vacation \_\_\_\_\_  
 Other \_\_\_\_\_

### Debts

Card 1 \_\_\_\_\_  
 Card 2 \_\_\_\_\_  
 Card 3 \_\_\_\_\_  
 Card 4 \_\_\_\_\_  
 Student Loan \_\_\_\_\_  
 Other \_\_\_\_\_

**Total Expenses:****\$** \_\_\_\_\_

### Now Calculate:

**Total Net Income** \$ \_\_\_\_\_  
**Minus Total Expenses** -\$ \_\_\_\_\_  
**Total** = \_\_\_\_\_

*Are you plus or minus with your monthly budget?*