

Creating a Budget

To create a budget, follow these steps:

1. Complete the **Debt Analysis Form**.

- A. List all of your debts in the first column.
- B. In the second column, write down the total amount you owe.
- C. In the third column, write down the monthly payment.
- D. Identify how many months you are behind in the payment.
- E. Lastly, in the pay back column, prioritize how important it is that you pay back each debt you have on a scale of 1-5. Use 5 to show the debts that are the most important to pay back. The debts that rank highest on this scale are those which you should plan to pay off first or those which you should pay more on a monthly basis, if possible.

2. Complete the **Review Your Finances** worksheet in the following order.

- A. **Income:** Total your monthly income from all legal sources.
- B. **Expenses:** In the "Current Expenses Column," list all expenses that you are now paying each month.
- C. Total the monthly expenses in the "Current Expenses Column".
- D. Write down your "Total Monthly Income" in the first column following the listing of expenses.
- E. Write down your "Total Monthly Expenses" below the "Total Income".
- F. Figure out the difference between your "Total Monthly Income" and "Total Monthly Expenses".
- G. The difference is called a "cash gap". If you have a negative cash gap you need to identify what expenses, in addition to your debt, you can reduce in order to balance your budget.
- H. Readjust your expenses based on your cash gap and after reviewing your "Debt Analysis Form". Top priority should be made for those debts with the highest pay back need.
- I. List all adjusted expenses in the "Adjusted Monthly Expenses" column. Remember that in order to balance your budget your Total Monthly Income must be equal to or more than your Total Monthly Expenses.
- J. If you have a positive cash gap, you may want to think about starting a savings account or perhaps paying off more of your debt.

Debt Analysis Form

Debt	Amount Owed	Monthly Payment	Months Behind	Payback Scale (1-5)

Review Your Finances

Income: List the monthly sum of all your sources of income:

Your Income \$ _____

Disability \$ _____

Unemployment Benefit \$ _____

Partner's Paycheck \$ _____

Welfare \$ _____

Other \$ _____

Total Monthly Income \$ _____

Expenses: Look through your checkbook and bills and figure what you spend monthly for the following. Remember to use the adjusted monthly expense category if your expenses are more than your income.

	Current Monthly Expenses	Adjusted Monthly Expenses
Rent	\$ _____	\$ _____
Heat, lights, phone	\$ _____	\$ _____
Food	\$ _____	\$ _____
Clothing	\$ _____	\$ _____
Insurance	\$ _____	\$ _____
Taxes	\$ _____	\$ _____
Auto Loan	\$ _____	\$ _____
Credit Card	\$ _____	\$ _____
Credit Card	\$ _____	\$ _____
Credit Card	\$ _____	\$ _____
Other Loan	\$ _____	\$ _____
Medical	\$ _____	\$ _____
Transportation	\$ _____	\$ _____
Entertainment	\$ _____	\$ _____
Other	\$ _____	\$ _____
Total Monthly Expenses	\$ _____	\$ _____

Establish the cash gap: Subtract your total expenses from your total income to see whether you have a positive or negative cash flow.

	Current	Adjusted
Total Monthly Income	\$_____	\$_____
Total Monthly Expenses	\$_____	\$_____
Cash Gap	\$_____	\$_____

If you have a negative cash gap, identify what expenses you can reduce in order to balance your budget. Go back to the “Expenses” list and write new expense values in the “Adjusted” column.

If you have a positive cash gap, you may want to pay off more of your debt or start a savings plan.