

EDUCATED FINANCIAL CHOICES...

...start with you!



EDUCATION FINANCE COUNCIL

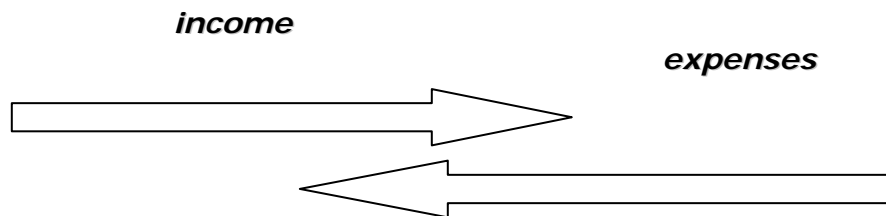
GO TO WWW.EFC.ORG FOR MORE INFORMATION



EFC's Guide to Budgeting

Simply put, a "budget" is a spending plan. When creating a budget, you map out "cash flow" – the amount of money you bring in ("income") vs. the amount you expect to spend ("expenses").

CASH FLOW



While it may sound like homework, **budgets help you**. Budgeting lets you know exactly how much you can (and can't) afford to spend. A budget plan helps you avoid frivolous purchases and stay out of debt, which ultimately will help you achieve both short- and long-term financial goals.

Where to Start?

Step 1: Identify Goals. Make a list of your short- and long-term financial goals. Short-term goals may be saving enough to pay your next tuition bill or buying that special something. Long-term goals are typically "big ticket" items, such as a down payment on a house, saving for retirement, or a "rainy day" fund.

Step 2: Figure Out Your Income. Before you know what you can afford to spend and save, you need to know your income – how much money you bring in after taxes. To calculate your income, add the total amount of money you receive monthly from jobs and other sources.

Step 3: Track Your Expenses. Create a budget that is realistic and that works for you. A great way to do this is to keep a diary of all your expenditures, even the small ones. This will help you gauge where your money is going and eliminate unnecessary spending where possible.

Step 4: Separate Your Fixed and Variable Expenses. Separate "fixed" expenses from "variable" expenses. Fixed expenses do not vary in amount from payment to payment (i.e., rent or car loan bills) and are usually made according to a schedule (i.e., weekly, monthly). "Variable" expenses, however, fluctuate and may be smaller or larger during a given month (i.e., expenditures on food, utilities, clothing or entertainment). Knowing the range of your variable expenses will help you establish a realistic budget.

Step 5: Save for the Future! If you have extra money at the end of each month, don't spend it all! Start a separate savings account to use in times of an emergency ("rainy day fund") or for long-term spending goals. This savings cushion will help you in the future when unforeseen expenses spring up, and may also increase your credit score!

Map Out Your Plan

Consider using the tools below to help make your own budget plan.

_____ 's Budget
(insert name)

Short-Term Spending Goals:

1.

2.

3.

Long-Term Spending Goals:

1.

2.

3.

Monthly Income:

Pay after Taxes: _____

Other Sources of Income: _____

Total Monthly Income: _____

Monthly Expenses:

Fixed Expenses

Item	Amount Due	Bill Due Date	Date Paid
For Example, Auto Loan Bill	\$211	08/15/2010	08/10/2010
TOTAL Fixed Expenses:			

Variable Expenses

Item(s)	Amount Spent	Amount Spent Previous Month for Same Category
For Example, Entertainment	\$75	\$60
TOTAL Variable Expenses:		

Total Fixed Expenses + Total Variable Expenses = _____ (total expenses)

Total Income - Total Expenses = _____ (surplus available for savings)

Tips for Keeping Your Budget on Track:

Keep your eye on the prize. Remember, hard work pays off. The time you put into your budget, and the choices you make to keep your budget on track will pay off over the long run by providing you with greater financial independence and security.

Stick With Your Plan. Once you've established a budget plan, avoid "impulse purchases" that may throw your budget off track. Impulse buying is when you purchase goods or services without considering the consequences. It's okay to treat yourself from time to time – just be sure your purchases fit into your overall budget plan.

Distinguish Between "Needs" and "Wants." Before making a purchase, consider how the item or service fits into your budget and whether it is a "must-have" or simply something you want. Remember, exercising self-restraint will pay off in the long run.

Keep Your Financial Goals in Sight. It may be easy to forget what you're working to achieve. Remind yourself. Write down your financial goals on an index card and put that list on your refrigerator or in a place where you'll see it every day.

Be Prudent. While a dollar spent here and there may not seem like much at the time, remember that small purchases add up. For example, that three-dollar latte you buy each day adds up to \$21 a week, nearly \$90 a month and over \$1000 a year! Think about ways to eliminate unnecessary expenses from your budget, such as bringing your lunch to school or work or spending a little less time on the phone.

Save for the Future! If you have extra money at the end of each month, don't spend it all. Start a separate savings account that you can use in times of an emergency or for long-term spending goals. Having a savings cushion will not only help you in the future when unforeseen expenses arise, but may also help to increase your credit score.

Something is Better Than Nothing. Don't give up on savings just because you can't afford to save a lot each month. Remember, a little here and there adds up. For example, if you save \$1 a day, you'll have \$365 in your savings account by the end of just one year – and that's before interest is added!

Re-Evaluate. Re-evaluate your budget from time to time. Over time, your financial situation may change. Make sure your saving and spending habits are still in line with your financial goals.

Consider Seeking Help from a Professional. If you don't have a plan currently in place, or if you're having trouble sticking to a budget, consider seeking help from a professional. Financial planners are there to help you and will provide the information and support you need to achieve your financial goals. For more information about financial planners, consider visiting the Financial Planning Association (FPA) website at www.PlannerSearch.org. You may also want to consider accessing the many educational resources the FPA has available at www.FPAnet.org/Public.