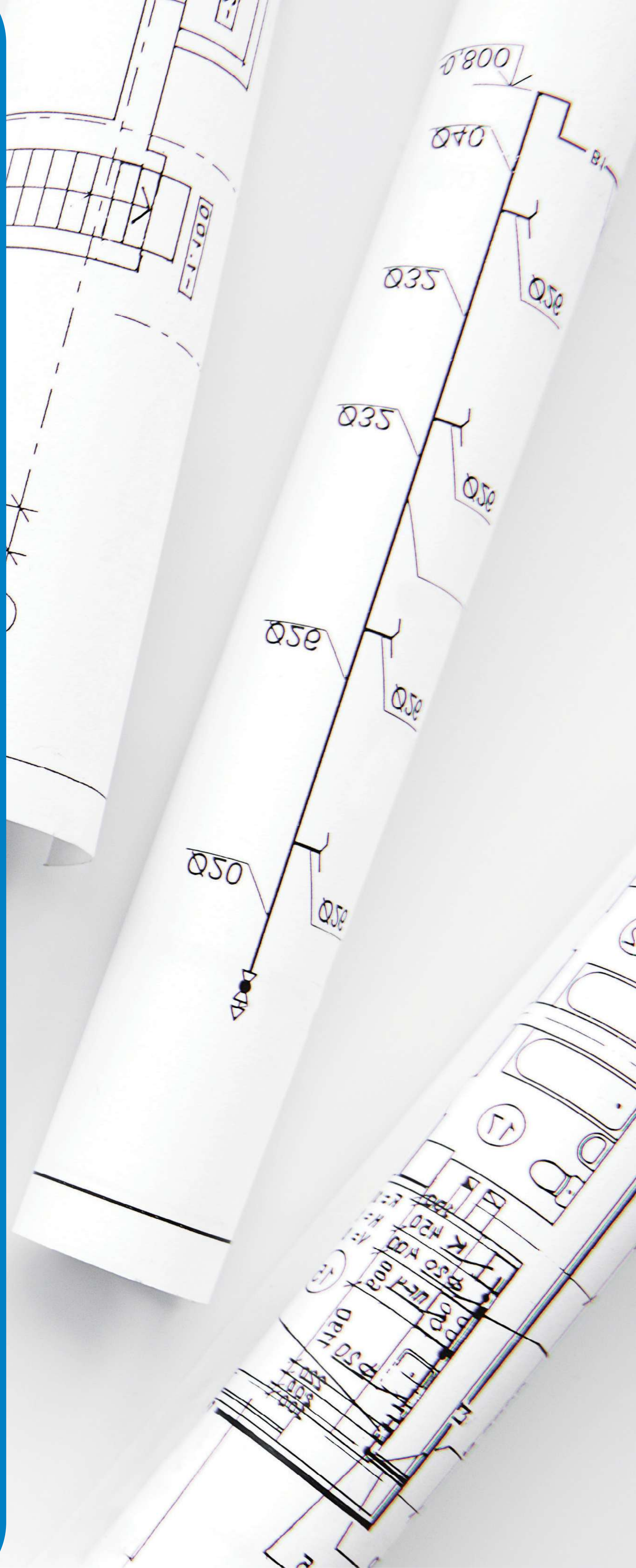
Broadview Federal Credit Union

Build a Better Budget

How to make a strong plan for the future



Broadview
Federal Credit Union

The mission of Broadview Financial Well-Being is to guide and encourage individuals to focus on achieving economic stability—using innovative tools, making informed decisions, and encouraging positive habits.

Broadview Financial Well-Being learning content and activities are aligned to the applicable K-12 educational learning standards: The New York State Learning Standards: Career Development and Occupational Studies; The National Standards in K-12 Personal Finance Education; and the NYS Next Generation Learning Standards; or the applicable adult learning standards: Institute for Financial Literacy: National Standards for Adult Financial Literacy Education.

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Congratulations! You have taken the first step to getting your financial house in order. Budgeting is about planning how to spend your money, so let's call it a spending plan. In our budgeting sessions, we review the benefits of developing a personalized spending plan, discuss how to track income and expenses, and learn strategies for record keeping. Regardless of how much you bring home each week, we will show you how to develop and follow your own personal spending plan and build positive financial habits that last a lifetime.

Table of Contents

This workbook is provided for informational/educational purposes only and any examples used are hypothetical in nature. This is not intended to advertise terms or products offered by Broadview.

List Your Financial Goals

Short-Term Financial Goals (1-6 months)

Mid-Range Financial Goals (1-2 years)

Long-Term Financial Goals (3+ years)

How much should I save?

Saving for future goals

To build a nest egg make a plan and set your goals.

SHORT-TERM

What's just around the corner? These are your goals for the next few months.

MID-RANGE

What's next for you in the next one to two years?

LONG-TERM

How do you see your future self?

GOOD
10%
OF YOUR INCOME

BETTER
15%
OF YOUR INCOME

BEST
20%
OF YOUR INCOME

S.M.A.R.T.E.R. Goals

Following the S.M.A.R.T.E.R. process can help you set and achieve goals related to the wants and needs included in your budget.

S

Specific = Your goal is precise and clear. For example, save $1,000 for an emergency fund in 6 months, or make an extra $50 loan payment each week for 1 year.

M

Measurable = You know "how much" is needed to reach your goal. Establish milestones to track your progress. For example, saving $1,000 in 6 months = $167/month - or $38.46/week.

A

Achievable = You can use your values, skills, and work ethic to reach the goal. It is something that is possible to do.

R

Realistic = You believe in this goal and are able to work toward it. For example, building an emergency fund in 6 months is realistic, while building a house in a day is not.

T

Time-Bound = Your goal has a target date. How long may depend on various factors when setting this goal, but it helps you develop a timeline.

E

Evaluate = You are able to adjust your goal when changes arise. Check your progress, and readjust if necessary.

R

Re-Do = Check your goal after "Evaluate". If there are significant changes, repeat the S.M.A.R.T.E.R. process. This goes with "E".

Budgeting Techniques

Choosing the right technique is key to creating a sustainable budget.
Consider your lifestyle, money personality, and circumstances to guide your selection. Whatever you choose should be something you will enjoy doing and can readily track and adjust when needed. As with anything, it is important to have the right tool for the job. Otherwise, it becomes too difficult and the result can be unsatisfactory.

Zero-Based Budget

This budget technique is designed to give every dollar a purpose in each budget cycle. After expenses are paid and money is allocated toward goals, any remaining balance is transferred to savings or applied to the next budget cycle. If there is a deficit, adjust spending and saving goals before the next month starts.

Pay Yourself First

Focus on future goals and using remaining funds for living expenses. Life choices and spending habits are often adjusted to allow for a minimum investment in future goals, which means some personal sacrifices are made now to realize a financial benefit later. Think of it as paying your "future self" before prioritizing today's wants.

The 50/30/20 Rule

The 50/30/20 Rule categorizes take-home pay within a framework intended to balance spending. The recommendation is to keep fixed costs within 50% of net pay, keep flexible spending under 30%, and dedicate a maximum of 20% take-home pay for goals. These percentages are guidelines, and your situation may be different.

Another way to apply this method is to view fixed costs as "contractual obligations" and categorize all other spending as "flexible with choice." Remember to allocate some funds for important goals such as an emergency fund, debt payoff, and retirement savings.

Which Seems Best for You?

Which budgeting technique seems to best fit your lifestyle, personality, and money management style? It is also beneficial to list 2 or 3 reasons why. This information will be helpful as you continue building your budget.

Organization Methods

Select a process to keep money distribution, payment and expense tracking that is aligned with your budgeting technique a lifestyle.

Factors surrounding the tools you use to spend, save, and track expenses will help determine what is logical and realistic for you. If you never use cash then the envelope system, for example, may need adaptation or may not be the right method for you.

Envelope System

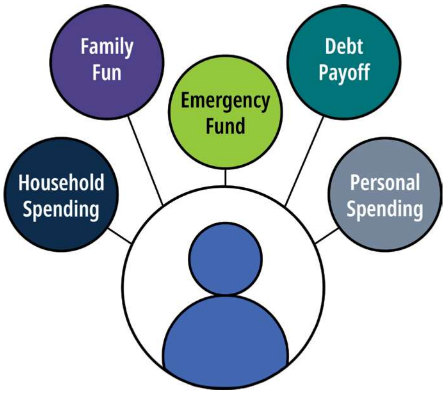
This system involves placing the budgeted amount of cash into an envelope labeled for each expense or category. When the envelope is empty, the budgeted amount for that expense has been used for that time period. Many people use envelopes in conjunction with the Multiple Accounts method and electronic transfers to manage flow of funds. The envelope system is also an effective way to manage spending associated with impulse purchases, such as entertainment and food purchased away from home.

Calendar Tracking

A visual record of due dates, pay dates, and other important financial timelines takes this aspect of budgeting out of the abstract and makes it a tangible component of your spending plan. Outlining a month of utility, loan, rent/mortgage, property tax, and other fixed cost due dates - alongside pay days - can help identify where cash in/cash out is aligned and potential problem areas in timing. Calendar tracking is useful with any budgeting technique or method.

Multiple Accounts

Separate accounts for varying financial needs, wants, and goals, and bills can help keep spending and saving goals organized. Some banks or credit unions allow you to assign unique names to each account. Set up automatic transfers or direct deposits to these accounts to align with pay day and due dates to ensure payments are on time and you have money set aside when you need it.



Which Seems Best for You?

Which organization method/s is/are the best fit with your budgeting technique, how you manage your money flow, and which financial tools you use (e.g., cash, debit card, app)? Will you use the calendar to get organized? Your chosen organization method/s will be the driving force for how money is distributed each with paycheck.

Gather Key Information

Identify take-home pay, fixed and flexible costs, debt payoff needs and other future goals.

Allow self-reflection on lifestyle needs, preferences, and decisions about how to manage the budget process. You will need to know monthly income and build a detailed list of living expenses, including both needs and wants.

Income

It is important to work with accurate figures. If your income and/or sources are inconsistent, decide what is either a reliable average each month or work with the minimum you would safely expect. If you are paid an annual salary, this is easier; use the monthly take-home (net) pay. Check payroll stubs for any deductions that would be categorized as a fixed cost (*e.g.,* insurance premium) or financial goal (*e.g.,* retirement contributions). Be sure to account for them only once in your spending plan.

Expenses

A useful spending plan requires a realistic view of spending. This may involve tracking or look-back using a combination of sources, such as receipts from spending with cash, review of debit card transactions and other bills paid from a checking account, and credit card usage. Begin by identifying and listing routine and required expenses (fixed costs), then list everything else (flexible spending). These figures represent your "observed" amound and will be a guide for establishing the **planned amount** in your spending plan.

Goals

Referring to the goals your listed on page 2, consider which are the 2-3 top priorities and how they will be included in your spending plan. If you have credit card debt, any amount paid above the minimum due can be considered as "spending" toward your goals. For all goals, it is important to establish a target amount to allocate each month and a timeframe for achievement. Refer to S.M.A.R.T.E.R. Goals on p. 3 for help framing goals and mapping steps to pursue them.

Debt Management

Examine your current debt load. Is it realistic and comfortable? Is there a need to consolidate debts? If you have credit card debt, what is your paydown strategy? How does your debt management strategy impact these goals and regular household spending? List your debts that would take priority in a paydown strategy.

Steps to Develop a Spending Plan

A spending plan outlines income, expenses and a net gain or net loss.

It records both planned and actual income and expenses over a period of time. A spending plan is an important part of financial planning because it helps you manage your money and take control of your spending. By using a spending plan you will be able to reach your financial goals and possibly increase your net worth. The first four steps develop the spending plan and the last two steps help maintain it.

1 ESTABLISH TOOLS

The most effective spending plans are those that are personalized. To get started, answer these questions:

What will you use to develop a spending plan?

Write down your spending plan. A tangible record of planned and actual spending clearly shows what is earned and spent. Select a tool you think works best for you. You can:

- Simply use paper and pencil to develop and keep track of your plan.
- Develop your plan in a spreadsheet for easy tracking. *Examples: Excel* or *Google Sheets*
- Purchase a money management software program that includes templates, financial statements, tax reports, and other personal finance reports. *Example: Quicken®*
- Use a smartphone or tablet to download money management apps. *Examples: NerdWallet™, Goodbudget™*

What is the time period for your spending plan?

- A monthly time period is most common. However, you might get paid weekly or bi-weekly and prefer to set up your spending plan accordingly.

What categories will your spending plan include?

- Personalize further by defining income and expense categories. Start with the major ones, which may account for most spending, but remember to include miscellaneous spending like a snack or drink on the go, tips, or restocking home supplies. You can change categories as you track spending and review your budget.

Make a plan that works for your lifestyle.
What methods and techniques do you prefer?

____

____

Your spending plan will be monitored:

weekly ***bi-weekly*** ***monthly***

2 IDENTIFY INCOME AND EXPENSES

The key step to creating a spending plan is to determine how much you earn and how you want to spend it.

Track or look back to identify spending for one month. Be sure to write down ***everything***.

- The first round of tracking is your ***observed amount***. This informs what you will use as a guide - the ***planned amount*** - for the first month your budget is implemented.
- This record of earnings and expenses ensures that your spending is realistic.
- If you feel too much was spent on an expense in the past, then limit how much you allow for that item in your budget.

Review income and expenses for 3 months, and calculate the average amounts spent. These are your **observed amounts** and help determine the **planned amounts** used as you begin to implement your plan**.**
How will you successfully track (or look back)?

____

What tools do you need?

____

Spending Plan Steps, cont.

3 DECIDE ON PLANNED AMOUNTS

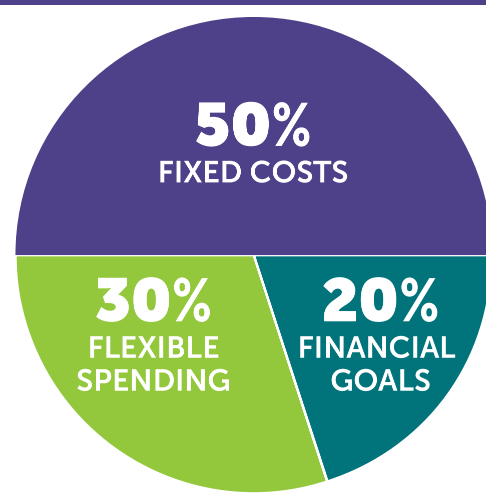
Now you are ready to determine planned spending for each budget category. Consider the following:

- Do your observed amounts need adjustment?
- Are there areas where discounts can be sought, spending can be reduced, or habits can be shifted?
- Analyze the trade-offs across spending categories to determine which allocation of your budget will make you the happiest. If the opportunity cost is too high, your planned decision may not be realistic, and it may be tough to stick to the plan.
- Review your goals to ensure the spending plan decisions align with your future plans.
- If you are considering ways to reduce expenses, think about the expenses on your spending plan as contractual versus non-contractual.
- **Contractual** expenses are not easy to reduce or eliminate because you have signed some sort of contract that requires you to pay that expense for a specific amount of time (*e.g.*, car loan, education loan, credit card debt, apartment lease).
- **Non-contractual** expenses are easier to either eliminate or reduce. Food is a necessity, but expensive restaurant purchases can be reduced.

CONTRACTUAL	NON-CONTRACTUAL
Required to pay expense for a specific amount of time Not easy to reduce or eliminate	Needs and wants that include free choice to spend or save Easy to reduce or eliminate
Rent, Internet, Cell Phone, Loans	*Food, Entertainment, Clothing*

A spending guide, such as the 50/30/20 Rule, can help you decide how much to allocate to each expense category in your budget. The pie chart provides examples and a guide for distributing net income (take-home pay) for each expense category.

FIXED COST EXAMPLES:
- Rent/Mortgage
- Loan payments
- Utility payments
- Insurance
- Child care
- Internet/Phone



FLEXIBLE COST EXAMPLES:
- Gas/Transportation
- Groceries
- Entertainment
- Personal care
- Dining out

FINANCIAL GOAL EXAMPLES:
- Debt paydown
- Retirement
- Emergency fund
- Large purchase

Begin your list of expenses, categorized by the **50/30/20 Rule**.

Fixed Costs:

Flexible Costs:

Financial Goals:

Spending Plan Steps, cont.

4 EVALUATE EFFECTIVENESS

Once you have allocated your money, determine if you have a net gain or net loss.

- Subtract expenses from income. If the resulting amount is negative, it means that you have a net loss and are planning to spend more income than you earn. In this case, you need to increase income, decrease expenses or do a combination of both.
- If the resulting amount is positive, you have a net gain. You can add more money to savings or pay down another liability. You ultimately want to have a net gain or at least a zero balance.
- When this step is complete you have established your **planned amount!** This will be compared to actual spending in Step 6.

Income - Expenses = Net Gain (or Loss)

It is important that your budget "adds up" both "on paper" and in practice. If not, it will be difficult to follow, and planning for financial goals may be even more challenging.

What are 3 things to consider when determining how much money to allocate to each category?

1. ______________________________

2. ______________________________

3. ______________________________

What can be done if you have a net loss? What can be adjusted?

What if you have a net gain?

5 STAY ON TRACK

What will help you stick to your plan and avoid temptation? Try tactics to monitor spending that work for you.

- **Accountability Buddy:** An accountability buddy can be a powerful tool when establishing new habits. Perhaps a family member or friend is also making changes to their finances – you can plan to support and check in with one another. Enlist the help of a trusted person who you can update on spending or savings goals. They will help you stay committed. Create success by clearly communicating your plan and establishing checkpoints to talk about your progress.
- **Money Date:** Plan a time to check in with yourself and your new spending plan, and make it fun! Enjoy a special treat while you manage your money to bring joy into something that may feel like a chore. A small window of time each week to review spending, for instance, can reduce the stress of reviewing a month's worth of transactions and allow the opportunity to pivot mid-month.
- **Keep Goals in View:** Simply writing down a goal makes a person 42% more likely to achieve it. Get that goal to 100% by keeping it top of mind. Create a vision board or other reminders to say focused. For instance, a sticker or note on your debit card with a prompt like: "Is this part of your spending plan?" can help create a moment of mindfulness that encourages you to stay on track.

Making a commitment to yourself and your spending plan is a crutial step.

What could cause you to stray from this commitment?

How might you stay (or get back) on track?

Spending Plan Steps, cont.

6

EVALUATE YOUR PLAN *The last step is to evaluate how well your spending plan is working and make any necessary adjustments.*

- At the end of your budget cycle, compare what you actually spent to the **planned amount** in Step 4.
- If you find it easy to stick to your planned amount, then your spending plan works well and does not need adjusting.
- If you are having difficulty holding your spending within the allocated amounts, ask yourself:
  - Are the amounts realistic or have other factors influenced spending.
  - Did something unexpected arise?
  - Are you working on habit changes? Revisit ideas for staying on track.
  - Did social or family pressures influence spending?
  - What did you learn this cycle that could help with habits and financial decisions going forward?
- Consider your goals when evaluating and adjusting your spending plan; this may determine if adjustments are needed.
- Spending plans often need adjustment and may need time to get established. Do not throw in the towel if the first cycle does not go as planned – stay focused on your habits and goals and watch as your plan begins to feel easier to achieve!

Even the greatest minds need a reference every now and then. Find a way to **write down your spending plan** and expense allocations. This will make it much easier when adjustments are needed.

What tools will you use to track expenses?

How often will you track income and expenses?

daily ***weekly*** ***bi-weekly***

What tactics might you use each day to stay on track and be successful?

You have come so far in developing the spending plan! Now it is time to **determine how you will know it is successful** and decide on how you can celebrate.

*How will you know your spending plan is successful? For example, what will **feel different** or **be better**?*

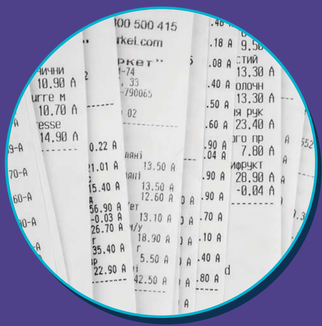
What disruptors of your spending plan might you anticipate in your life?

How can you avoid those disruptors?

How will you celebrate your success?

Get Started

GATHER INFORMATION



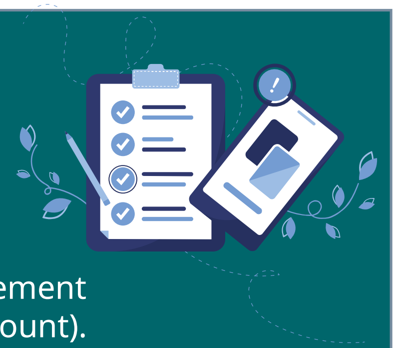
Track income and expenses. This is your observed amount, and it informs what you plan to spend next month.

Categorize the list of expenses and income, specifying fixed costs, flexible expenses, and goals.

Engage household members in a conversation about this process and how it can help everyone involved.

Set goals together and post them in a visible place for the household.

MONTH 1



Use the observed amount to plan spending and saving (implement your planned amount).

Document what is actually spent to see if it aligns with your planned amount.

Evaluate:
Are you over- or under-budget?
Did unexpected or unusual expenses occur this month?
Was income consistent?

MONTH 2

Use the results of month 2 to make necessary adjustments to your spending plan.

Track and evaluate as you did in month1.

Make necessary adjustments to implement next month.

MONTH 3

Continue tracking, evaluating, and adjusting until you feel there is a flow and spending is aligned with income.

Celebrate! You have made a useful and realistic spending plan!

Budget Tips Summary

Seek Ways to Decrease Expenses

Shop around for insurance, etc.

Use free ATMs

Check for discounts (military, student, AARP, etc.)

Write It All Down and Evaluate Each Month

Develop a habit of asking for receipts

Consider Options for Increased Income

Gig economy?

Trade-off some free time to earn money

Always Know Your Balance

Consider overdraft protection - avoid fees if mistakes occur

Consider Using Online Bill Pay

Easy to see upcoming payments

Helpful reminder

Remember to Factor In Fun!

Budget is meant to be empowering

Plan Ahead for Seasonal Spending

Sub-account system to hold funds in this budget category

Treasure Hunt for Extra Cash

Search for spending habits that can be used to prioritize needs and wants.
As consumers, we purchase products that represent our wants and needs. Understanding your relationship with money can help you discover a system of prioritizing these decisions. Apply mindful spending to identify areas where either a temporary or permanent change in priorities can free up some of your earnings for a stronger budget or to reach other goals.

Consider this:

Think of a regular spending habit that is a choice.

- What does this habit cost each time?
- Is it daily, weekly, monthly, or a few times a year?
- Could it be a "hidden treasure"?

EXAMPLE: If the cost is $4 each day, calculate:

$4 a day x 7 days a week	**=**	**$28.00 a week**
$4 a day x 30 days	**=**	**$120.00 a month**
$4 a day x 365 days	**=**	**$1,460.00 a year**
$1,460 a year x 5 years	**=**	**$7,300.00**

If your goal is to pay off debt, buy a car, or place a down payment on a house, could you do without this item or scale back temporarily in order to meet your goals?

CONSIDER AN ITEM YOU SPEND MONEY ON REGULARLY. HOW MUCH DOES IT COST EACH TIME? HOW OFTEN DO YOU BUY IT?

Use your cell phone or calculator to identify the weekly, monthly and yearly costs. What is the total over 5 years? What about over 10 years? You might be surprised!

ITEM NAME	ITEM COST	COST PER WEEK	COST PER MONTH	1 YEAR	5 YEARS	10 YEARS
	$	$	$	$	$	$
	$	$	$	$	$	$
	$	$	$	$	$	$
	$	$	$	$	$	$

Building positive spending habits is possible!
Do you spend more when carrying cash, or does the debit or credit card make spending "too easy?" Determine which method works against developing positive habits and leave that one at home when you can. Understanding personal temptations can help you reduce spending by limiting access to situations or conditions that work against your budget.

My Personalized Spending Plan			
Time Period:	through:	Planned Amount	Actual Amount
INCOME			
Earned Income (Net Take-Home Pay)			
Wages or salary after deductions			
Commissions/tips/bonuses			
Unearned Income			
Interest and investment earnings			
Money from savings to help pay expenses			
Scholarships/grants from non-government sources			
Child support			
Other			
Received Income from Government Programs			
Scholarships/grants from government sources			
Other government programs			
Total Income		$	$
EXPENSES			
Saving and Investing (Pay Yourself First)			
Contribution to savings and investments			
Other			
Insurance Premiums			
Health insurance, Medicaid and Medicare			
Renters or homeowners insurance			
Automobile insurance			
Disability insurance			
Life insurance			
Housing Costs and Utilities			
Property and school taxes (if house or condo is owned)			
Housing payment (rent or mortgage)			
Utilities (gas, electricity, water)			
Trash removal			
Internet/Wi-Fi/ Cable/satellite TV service			
Household maintenance and repairs			
Transportation Costs			
Automobile payment and/or public transportation fees			
Fuel (gasoline, diesel, charging fees)			
Automobile repairs and maintenance			
Automobile license and registration (yearly fee)			
Family Member Care			
Child care or other dependent care			

My Personalized Spending Plan, continued		
Time Period: through:	Planned Amount	Actual Amount
Food Costs		
Food at the grocery store		
Meals at restaurants		
Snacks away from home (coffees, treats)		
Household Supplies		
Shampoo and soap		
Laundry detergent		
Cleaning Supplies		
Household paper products		
Non-food kitchen supplies (plastic wrap, dish soap)		
Medical Costs Not Covered by Insurance		
Medical and Dental		
Eye care (check-ups, glasses, contact lenses)		
Medications – prescription, over-the-counter		
Clothing and Personal Care		
Clothing and shoes		
Personal care (haircuts, cosmetics, hair care products)		
Educational Expenses		
Tuition for private school or higher education		
Private lessons, Sports and Club Fees		
Educational supplies (books, news)		
Pet Care		
Pet food		
Pet supplies (toys, medicine, cat litter)		
Veterinary services		
Pet care (pet walking, overnight stays, grooming)		
Entertainment		
Movies, books, and other entertainment		
Vacations		
Other		
Gifts and Charitable Contributions		
Gifts to others and charitable contributions to organizations		
Debt Costs		
Student loan payment		
Credit card payment		
Vehicle loan payment		
Personal loan payment		
Total Expenses	$	$
Net Gain or Net Loss (Income Minus Expenses)	$	$

NOTES

NOTES

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