

Budget Overview

Review basic terms using the transparency “Budgeting Terms”

A budget is a plan for managing income and expenses. It does not require complicated math, nor does it force you to become a penny pincher; it helps you see where your money is spent. Budgets serve a record and can be a great help to you when computing your taxes. Budgeting strengthens family communication. Budgeting increases sharing, both in setting a plan and evaluating spending pattern; it is beneficial for financial matters may be a real source of conflict and divorce in a marriage.

1. The first step in budgeting is to evaluate your present and future goals. What do you need and want now, in the next year, or the next ten years? If you are married, you may find that your priorities differ from those of your spouse. You may have to make some compromises.

Experts recommend that people budget their money as follows:

Food	15-20%
Housing	25-35 %
Transportation	10%
Clothing	10%
Savings	10%
Miscellaneous	15-20%

2. Determine your monthly net income or take home pay. Gross income is your salary before Federal Taxes, State Taxes, Social Security, and Medicare are deducted.
3. Decide how to handle your money. There are several methods:
 - A. CHECK REGISTER SYSTEM: A person tracks all expenditures in a checkbook register which has been divided into spending plan categories.
 - B. ENVELOPE SYSTEM: Individuals place the actual budgeted amount of cash from a paycheck into the specific envelope labeled for the expense.
 - C. COMPUTER PROGRAM: A computer software program designed to tracking you income and expenses.

4. Determine your expenses. Expenses may be either fixed or flexible. Fixed expenses are those expenses that usually do not vary in amount and must be paid on a regular basis; mortgage or rent payments are examples of fixed expenses. Flexible (variable) expenses vary from week to week or month to month; an example of flexible (variable) expenses include clothing and food costs.
5. If your expenses are greater than your income, you may need to make some adjustments in your priorities. Another alternative is for a person to increase his/her income. Some expenses may need to be eliminated.
6. A budget is not useful if you do not use it. Once you have balanced your budget on paper, you can use the figures as guidelines for your spending. Budgeting is an ongoing process that must be revised and updated often.

Option 3 Transparency

BUDGETING TERMS

BUDGET-

a plan for managing income and expenses

GROSS INCOME-

the total amount of income earned before deductions are made

NET INCOME-

amount of income left after deductions are taken

FIXED EXPENSES-

expenses which usually do not vary in amount and must be paid on a regular basis (mortgage, car payments, etc.)

FLEXIBLE (VARIABLE)-

expenses which vary from week to week or month to month (clothing, food, etc.)

Option 3 Transparency

Budget Recommendations

Food	15-20%
Housing	25-35%
Transportation	10%

Clothing	10%
Savings	10%
Miscellaneous	15-20%