

# *Household* **Budgeting**



*Developing a budget  
you can live with*



## ***E*** ***stablishing a Household Budget***

One of the cornerstones to successful financial planning is establishing a workable household budget that manages your expenses, reduces your debt obligations and builds your savings.

This Wealth Builder brochure discusses the principles of budgeting and then provides a straight forward “Household Budgeting Worksheet” to help you establish a workable budget.

### ***What Is a Household Budget?***

A household budget is nothing more than a plan that sets spending goals over a period of time (typically one year) and allows monitoring or tracking of how you are doing in following the plan.

### ***Understanding Cash Flow First***

To successfully develop a workable household budget the concept of Cash Flow must be understood. To understand Cash Flow, think of your finances as constantly changing. Money is being received in the form of employment pay checks, dividends, interest income, tax refunds, gifts and other sources. Simultaneously, cash is being paid out to cover regular living expenses like food, transportation, housing, taxes, insurance and supplies. You also pay for unanticipated expenses such as auto repair or medical bills. This ebb and flow of money into and out of your household is your Cash Flow. Household budgeting can improve cash flow (more coming in/less going out) by successfully managing and tracking the money flow.

### ***How to Begin?***

Start developing your household budget by laying out all of your income and expenses by month for the past year.

- This will give you a picture of the amount and timing of your cash flow on a monthly basis.
- You’ll quickly see the inflow of cash and outflows that occur weekly, monthly, quarterly and annually.
- You’ll be able to see if your expenses are too high and your savings are too low to meet your financial needs.

## ***What's Next?***

From this initial picture you can then forecast your expenses for the coming year (up in some cases and down in others) and target your goals for reducing your debt obligations and, importantly, meeting your savings and investment goals.

**Hint #1:** If you are serious about planning your financial future you should budget to save a minimum of 5% and preferably 10% of your income each year.

**Hint #2:** Pay yourself first, by writing a check to your savings or investment accounts every time you pay bills.

**Hint #3:** Reinvest your dividends, interest, and any other investment income rather than spend it and you can realize accelerated savings growth.

## ***Budget to Develop an Emergency Fund***

Most successful budgets include the funding of an Emergency Account. This is money set aside to cover anywhere from two to six months of your household expenses. Practically, this money will be ready to cover the unexpected. Often it's not a question of if, but only a question of when you will be faced with unexpected expenses such as auto repairs, household appliance replacement, medical bills or loss of employment. The workable household budget should account for setting aside this emergency cash until two to six months of living expenses are accumulated.

## ***Using the Household Budget Worksheet***

The worksheet in this brochure is designed to help you organize your cash inflow and cash outflow into weekly, monthly, quarterly or annual frequencies. You'll need to review your pay checks, other sources of income and your checking account(s) you use to pay your bills to collect the budget figures. Notice that many of the periodic expenses such as insurance payments and taxes are relatively larger expenses and can be planned for by setting aside money (preferably in an interest bearing account) on a weekly, bi-weekly or monthly basis.

Call if you have any questions regarding budgeting issues particular to your situation.

**This publication provides only summary information regarding the subject matter. Please call with any questions on how this information may impact your situation.**

# HOUSEHOLD BUDGET

<i>For the Year Ending</i> _____		<i>Frequency Factor</i>	<i>Annual</i>
<b><i>INCOME</i></b>	<b><i>Income Amounts</i></b>		<b><i>(Income X Factor)</i></b>
Salary #1 _____	_____	_____	_____
Salary #2 _____	_____	_____	_____
Interest Income	_____	_____	_____
Dividends	_____	_____	_____
Other #1 _____	_____	_____	_____
Other #2 _____	_____	_____	_____
<b><i>TOTAL INCOME</i></b>	_____	_____	_____
<b><i>WEEKLY EXPENSES</i></b>	<b><i>Expenses Amounts</i></b>		<b><i>(Exp. X Factor)</i></b>
Groceries	_____	52	_____
Transportation (fuel etc.)	_____	52	_____
Household Supplies	_____	52	_____
Child care	_____	52	_____
Eating out	_____	52	_____
Other #1 _____	_____	52	_____
Other #2 _____	_____	52	_____
Other #3 _____	_____	52	_____
<i>Total Weekly</i>	_____	<b>52</b>	_____
<b><i>MONTHLY EXPENSES</i></b>			
Housing	_____	12	_____
Utilities	_____	12	_____
Phone	_____	12	_____
Loan Repayments	_____	12	_____
Other #1 _____	_____	12	_____
Other #2 _____	_____	12	_____
Other #3 _____	_____	12	_____
<i>Total Monthly</i>	_____	<b>12</b>	_____
<b><i>QUARTERLY/BI-ANNUAL/ANNUAL EXPENSES</i></b>		<b><i>(x 4, 2 or 1)</i></b>	
Insurance	_____	_____	_____
Taxes	_____	_____	_____
Other #1 _____	_____	_____	_____
Other #2 _____	_____	_____	_____
Other #3 _____	_____	_____	_____
<i>Total Quarterly/Annual</i>	_____	_____	_____
<b><i>OTHER EXPENSES</i></b>			
Medical and Dental Expenses	_____	_____	_____
Repairs	_____	_____	_____
Retirement Savings	_____	_____	_____
Regular Savings	_____	_____	_____
Entertainment	_____	_____	_____
Vacations	_____	_____	_____
<i>Total Other</i>	_____	_____	_____
<b><i>TOTAL EXPENSES</i></b>	_____	_____	_____
<b><i>ANNUAL SURPLUS/(DEFICIT)</i></b>	<b><i>Income less Expenses</i></b>		_____

