



WEEK 2

MONEY MINDSET

Creating a Budget

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Budget Basics



WHAT IS A BUDGET?

A budget is a plan that helps you manage your money. It can help you balance your income with your savings and expenses and figure out how much money you get, spend, and save. It guides your spending to help you reach your financial goals.



One of the best ways to reduce or avoid money worries is to set up a realistic personal budget. A budget is a tool that will help you **understand your income and expenses** and **achieve your financial goals**.

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Creating a Budget

Outlining your basic expenses will put you in an excellent position to begin taking control of your finances. The idea is to get a real sense of where your money is going.

STEP 1: LOOK AT YOUR INCOME

Add up your income from all sources, including take-home pay, pensions, child support, alimony, rental income, etc.

STEP 2: LOOK AT YOUR MONTHLY EXPENSES

Look back at your bank statements, credit card statements, and receipts to get an idea of your general spending habits. Put your spending into one of the three categories below:

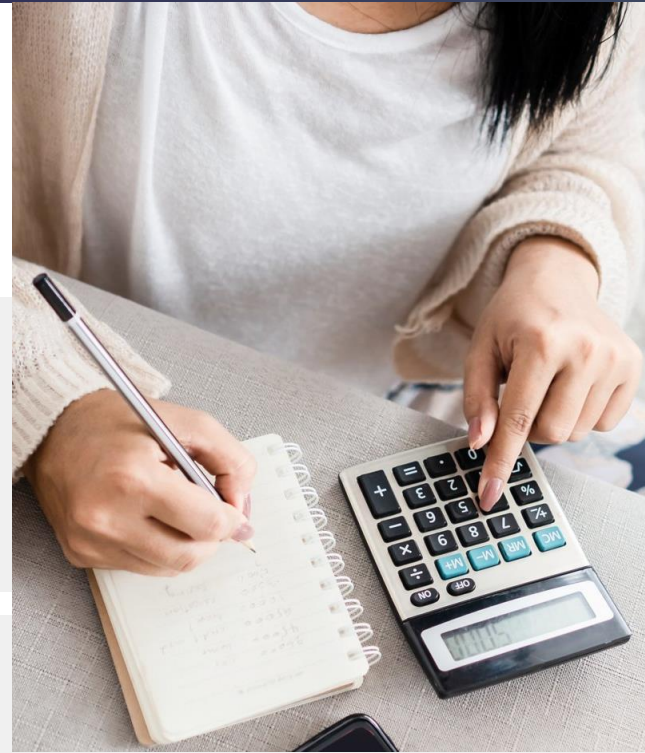
1. **Fixed essential expenses:** Necessary expenses that are the same every month (mortgage or rent, car payments, student loans and insurance).
2. **Variable essential expenses:** Necessary monthly expenses that vary in cost every month (gas and groceries).
3. **Non-essential expenses:** Other things you don't need for living (travel, entertainment, eating out).

STEP 3: SUBTRACT YOUR EXPENSES FROM YOUR INCOME

Compare your income with the total expenses.

- If your income is greater than your expenses, reflect whether you could make better use of the surplus through saving or investments.
- If your expenses are greater than your income, it's time to trim your budget.

Either way, now may be a great time to think about moving money around in your budget.



Spending tracker

What to do:

Use this tool to help a person you serve understand how they spend their money. Encourage the person you serve to track their spending for a day, a week, two weeks, or a month. With this information, they may realize where their money goes for the first time. They can make changes to how they spend their money by using the analysis section of the spending tracker tool Your Money, Your Goals Module 4: Paying bills and other expenses in the toolkit

What to say:

"Tracking how you use your money is a first step to financial empowerment. This means recording everything you spend your money or financial resources on. The way you track how you spend your money and financial resources does not matter. You should use whatever is most comfortable for you. For example you could:

- Write your spending into the spending tracker.
- Ask someone else to write your spending into the spending tracker.
- Keep receipts for every time you use money and then fill in the spending tracker using the information from your receipts.
- Record a voice memo each time you spend money and have that written into the spending tracker at the end of a day or week.
- Take pictures of what you spend your money on and have that written into the spending tracker at the end of a day or week.
- Use a smart phone application to track your spending.

With this information, you will understand how you use your money and financial resources. You will also be able to make decisions about using your resources. For example, if you have a goal you want to save money for, you can decide where to cut back your spending to free up money for that goal."

To access a dynamic and fillable version of this tool, visit: www.consumerfinance.gov/practitioner-resources/your-money-your-goals/companion-guides/

CATEGORIES USED IN THE SPENDING TRACKER













	Cell phone	Any costs related to having and using your cell phone
	Debt payment	Credit card payments, payday loan payments, pawn shop payments, car title loan payments, and other loan payments
	Eating out	Any meals or beverages purchased outside of the home
	Education + childcare	Childcare costs, diapers, school supplies, school materials fees, field trip and other activity fees
	Entertainment	Going to the movies or concerts, sports equipment/fees, sporting events, lottery tickets, alcohol, books/CDs, subscriptions
	Groceries + other supplies	Food and beverages brought into the home, as well as other supplies: baby formula, haircuts, hygiene items, dry cleaning
	Health expenses	Co-payments, medication, eye care, dental care, health insurance premiums
	Helping others	Donations to religious organizations or other charities, gifts
	Housing + utilities	Rent, mortgage, insurance, property taxes, electricity, gas, water, sewage, phone, television, Internet service, cell phone
	Pets	Food, healthcare costs, and other costs associated with caring for your pets
	Transport	Gas, car payment, insurance payment, repairs
	Other	<ul style="list-style-type: none">▪ Court-ordered expenses (Child Support, restitution, etc.)▪ Household supplies (Things for your home like cleaning supplies, kitchen appliances, furniture, other equipment)▪ Savings (Saving for emergencies, goals, back to school expenses, holiday purchases, children's education, saving for retirement)▪ Tools or other job-related expenses (Tools, equipment, special clothing, job-related books, machinery, working animals or livestock, union dues)



Use this **spending tracker** to consider what is important to you

Spending for the month of:

- 1 Get an envelope to collect your receipts.
- 2 Use the table to sort your spending into the categories below. Don't forget about bills you share with others.
- 3 At month's end, total up each category.

	Week 1	Week 2	Week 3	Week 4	Week 5	Category totals
 Cell phone						
 Debt payment						
 Eating out						
 Education + childcare						
 Entertainment						
 Groceries + other supplies						
 Health expenses						
 Helping others						
 Housing + utilities						
 Pets						
 Transport						
 Other						

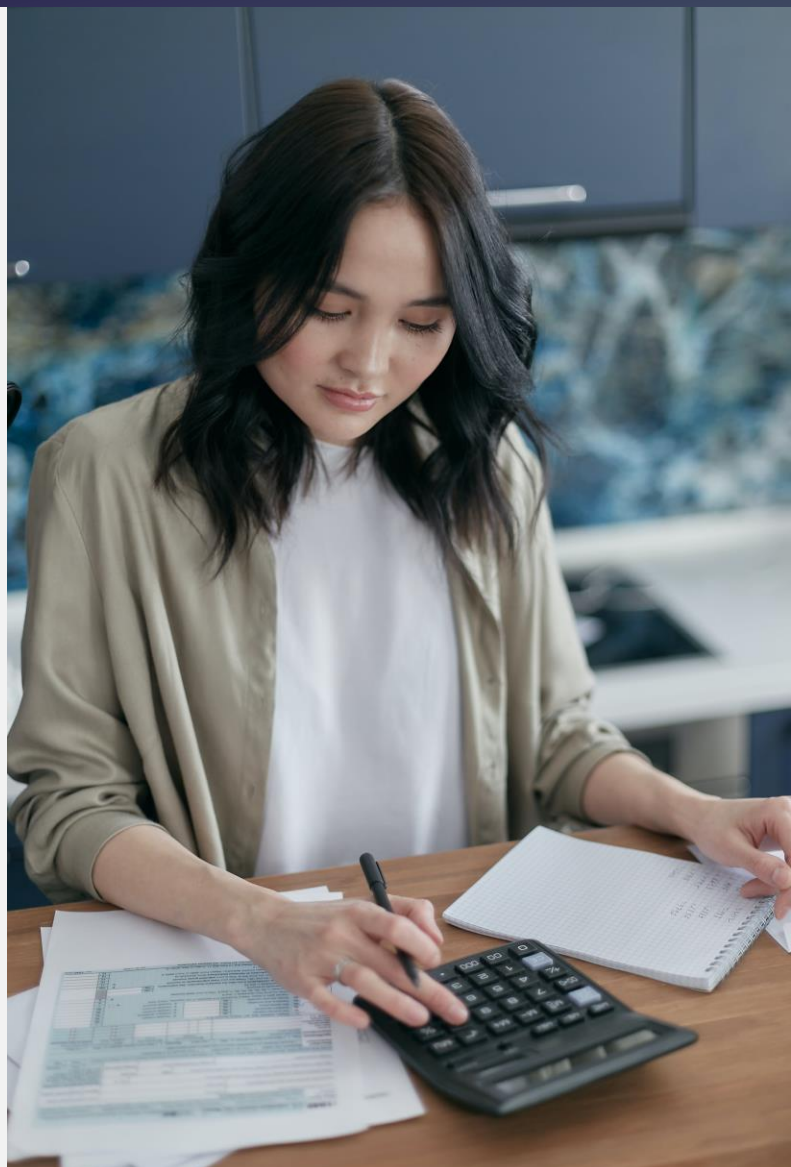
Total spending this month

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Track Your Progress

Once you have a budget, try to stick to it and improve it as you go. Evaluate your budget from time to time. If your actual spending often varies from your budget, adjust your figures to make it more realistic.

Every few months you might redo your Budget Worksheet to see how the entire money plan is taking shape.



Keep in mind that your expenses may change unexpectedly, and this will affect your budget. Change the income or expense numbers to reflect the new situation and work out a new plan. With an awareness of your finances, you can figure out just what the change means for you and adjust your plan .

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Tools and Resources



The foundation of an effective budget is having an accurate record of your current income and expenses. There are many tools and resources available to help get you started.

CHALLENGE ACTIVITY

Watch one of the videos/webinars then use a budget calculator to start creating a budget.

US RESOURCES: VOYA

- [Budget Calculator](#)
- [Budgeting Webinar](#)
- [Build your budget using Voya's budget calculator Webinar](#)

CANADIAN RESOURCES:

- [Budget Calculator](#)
- [5 Budgeting Tips Video](#)
- [How Do I Prepare a Budget Video](#)



MONEY MINDSET WEEK 2 SUBMISSION FORM

Complete the [Week 2: Challenge Submission Form](#) by **Tuesday, March 5** to earn one Wellbeing Ticket.