

Budget Quick-Start Guide

Welcome to the Budget Quick-Start Guide, three simple pages to get you going with the single most powerful, practical tool for wise money management.

Using a budget involves four key activities: estimating current income and expenses, planning future income and expenses, tracking actual income and expenses, and reviewing actual versus planned income and expenses. Let's take a look at each one.

1. Estimating Current Income and Expenses

To get started with the estimating phase, fill out the "Now" columns of the *Monthly Cash Flow Plan*. Start by entering your household's monthly gross income—the amount before deductions, such as taxes or 401(k) contributions. Next, enter your current monthly giving and saving/investing. Then fill in the rest of the "Now" figures as well as you can. You may have no idea how much you're spending on a certain category. That's okay. For now, just take an educated guess. Note that the first line in each section is for the total of the section.

Be sure to fill in the last three lines: your total monthly income, total monthly expenses, and the difference between the two.

2. Planning Future Income and Expenses

Once you're done with the "Now" columns of the *Monthly Cash Flow Plan*, fill in the "Goal" columns.

- *Monthly Income*. In most cases, your income goal will be the same as your current income. That is, unless you're working on increasing your income and it's realistic that your income will go up.

- *Giving*. I encourage you to aim for giving at least 10 percent of your monthly gross income.
- *Saving/investing*. Save or invest at least 10 percent of your monthly gross income. Build an emergency fund until it has six months' worth of living expenses; then move on to other savings or investing goals. The only exception is if you have credit card or other types of non-mortgage debt. In that case, build an emergency fund of one month's worth of living expenses, then accelerate your debt payments, and then, once you're out of debt, build your emergency fund to six months' worth of expenses.
- *Debts*. If you have credit card balances that you do not pay in full each month or other types of non-mortgage debt, commit today to go no further into debt and then, at very least, "fix" your payments. That means continuing to pay the amount that's due this month each and every month even if your minimum required payment declines. In the goal column, enter those fixed payment amounts for each of your debts except the one with the lowest balance. For that one, set a goal of paying more than the minimum. Enter the fixed minimum plus \$10 or \$25 or \$100 – as much as you can come up with to get out of debt as soon as possible.

Set goals in the rest of the spending categories in a way that leaves you with a balanced *Monthly Cash Flow Plan*. All of your income should be allocated; the last line, "Income minus Expenses," should be zero.

Now transfer your spending goals from the *Monthly Cash Flow Plan* to the "Goals" row at the top of the *Monthly Cash Flow Tracker*.

3. Tracking Actual Income and Expenses

As you spend money, keep your receipts or jot down how much you spend. At the end of each day, enter your expenditures in the *Monthly Cash Flow Tracker*.

Keep your *Tracker* in a place where you'll see it every day—on your kitchen table or nightstand. That'll help you remember to record each day's expenses. At the bottom of the form are the numbers 1 through 31, representing the days of the month. After entering your spending for the day, put a line through the date. That'll be an indicator that you recorded the day's spending.

4. Reviewing Actual Versus Planned Income and Expenses

At the end of each month, total each category. The first few months of tracking will be for the purpose of making the "Now" columns of your *Monthly Cash Flow Plan* as accurate as possible. That'll help you refine your goals. Eventually, your review time will help you isolate areas to focus on.

Remember, budgets are not about *less*. They're about *more* – having more knowledge about where your money is going, so you can spend money more effectively, so you have more for what really matters. Stick with it. As you get accustomed to using a budget you'll find yourself living with more margin, accomplishing more of your goals, and enjoying a lot more peace of mind.