



BUDGETING MADE EASY

Make Budgeting Simple



1-800-210-3481

www.ConsolidatedCredit.org

5701 West Sunrise Boulevard | Fort Lauderdale, FL 33313

Congratulations on taking this first step to learning how to build a successful budget. Consolidated Credit has been helping Americans across the country solve their debt and credit problems for over 25 years.

Our educational team has created over forty publications to help you improve your finances. Visit ConsolidatedCredit.org to access all our publications free of charge. You'll also find a range of financial education resources, including interactive courses, instructional videos, webinars, infographics, and more. Our mission is to provide all the tools you need to become debt-free and use money wisely, so you can plan for the future and build wealth.

If you're feeling overwhelmed by high-interest rate credit card debt, I encourage you to call **1-800-210-3481** to receive a free evaluation from a certified credit counselor. Together, you can find the best solution to pay off your debt and achieve financial stability.

I also invite you to share these resources with others you know who want to improve their finances. Consolidated Credit provides partnership programs, which can help groups, businesses and communities learn and grow together. If you're interested in learning more, please call us and we'll be happy to help you customize a program for your organization.

Sincerely,

A handwritten signature in black ink that reads "Gary S. Herman". The signature is fluid and cursive, with a prominent initial "G".

Gary S. Herman
President
Consolidated Credit

Budgeting Made Easy

Make Budgeting Simple

This guide will give you money management techniques that can put you in control of your money and help you plan for a successful financial future.

You will come away from this booklet knowing two new skills:

- How to create a successful budget and use it.
- How to use proven strategies for avoiding debt.

Making the most of your money can be tough, but without a budget, it's impossible. Budgeting can be easy if you have the right tools and guidelines.

Remember, now is a great time to learn how to create and live within a budget. The more you put off the budgeting process, the longer you will be in financial chaos. If you don't learn to manage your money now, the headaches your debts create may stay with you for a long time.

At Consolidated Credit, we help many individuals and families who are in debt. We want to help you avoid problems and become financially successful.

Step 1: Analyzing your income

The first step to creating your budget is to list all sources of monthly income. To total your income, use the following Income Worksheet. Use the Expected Income column to record what you should be making and use the Actual Income column to record what you actually receive.

INCOME SOURCES	EXPECTED INCOME	ACTUAL INCOME
Your Wages	\$	\$
Spouse's Wages	\$	\$

INCOME SOURCES	EXPECTED INCOME	ACTUAL INCOME
Part-Time Wages	\$	\$
Child Support	\$	\$
Alimony	\$	\$
Social Security Benefits	\$	\$
Veteran's Benefits	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Total	\$	\$

Alicia's Story: Changing income

*“My husband Anthony, our three kids and I set out to fulfill a dream, to move to sunny Florida. We had visited many times while still living in Kentucky. We loved the weather and the people, but most of all we came for the opportunities that Orlando could offer our children. In Kentucky, Anthony worked at a power plant making a good salary. I could be a stay-at-home mom and still live comfortably. **When we moved, he went from making \$21 an hour to \$7 an hour. Our house payment went from \$307 to \$800 monthly.***

*The cost of living was more than we anticipated, and his salary was less than we expected. I had to go to work to help make ends meet. It took five years for the salary to finally catch up to what Anthony was making before we left Kentucky. **In those five years we literally lived off of credit cards.** We had excellent credit, so we had lots of opportunities to get more credit, and we took advantage – \$45,000 worth of advantage.”*

Moral of the Story: *When your income changes, so should your budget.*

Step 2: Analyzing your expenses

The next step is to list your expenses. Expenses are separated into three categories: fixed, flexible, and discretionary. Use this

sheet to list your fixed expenses. These are necessary items in your budget that cost the same each month, i.e. rent, loans, and car payments.

TIP: Pay yourself first. Set up a savings account and transfer at least 5% of your income into the account and try to forget about it. The extra money will come in handy when you need it!

Fixed Expenses Worksheet

MONTHLY EXPENSES	CURRENT PAYMENTS
Mortgage/Rent	\$
Real Estate Taxes	\$
Homeowners Insurance	\$
Car Loans/Lease Payments	\$
Car Insurance	\$
Student Loan Payments	\$
Alimony/Child Support	\$
Medical Insurance	\$
Savings (5% is your starting goal)	\$
Credit Card Debt (totaled from the worksheet in Step 4)	\$
Other	\$
Other	\$
Other	\$
Other	\$
Total	\$

Next, list your flexible expenses. These necessary expenses can fluctuate depending on different factors. Sometimes flexible expenses are items you need, like groceries, but you can control how much you spend on them by choosing less expensive items, shopping at discount stores, etc. Depending on your circumstances, a few of the items listed on the next page may fall into the fixed expenses category.

Flexible Expenses Worksheet

MONTHLY EXPENSES	CURRENT PAYMENT	ADJUSTED TO BALANCE INCOME
Phone Bill	\$	\$
Electric/Gas/Oil/Fuel Bill	\$	\$
Water Bill	\$	\$
Cable/Internet/Television Bill	\$	\$
Groceries	\$	\$
Household Supplies	\$	\$
School Supplies	\$	\$
Clothes	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Total	\$	\$

The next step is to list all the other expenses not listed in the previous categories. **We call these discretionary expenses. They are items that are not necessary for survival.** If your expense-to-income ratio is out of balance and you are spending more money than you earn, items from this category should be eliminated or cut back.

Discretionary Expenses Worksheet

MONTHLY EXPENSES	CURRENT PAYMENT	ADJUSTED TO BALANCE INCOME
Recreation	\$	\$
Movies/Plays	\$	\$
Video/Music Streaming Serv.	\$	\$
Dining Out	\$	\$
Sporting Events	\$	\$
Magazines/Newspapers	\$	\$
Barber/Beauty Salon	\$	\$
Hobbies	\$	\$

MONTHLY EXPENSES	CURRENT PAYMENT	ADJUSTED TO BALANCE INCOME
Charity	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Total	\$	\$

Troy's Story: Discretionary expenses on credit

"I didn't really have a budget because I had so many lines of credit and became comfortable just using credit cards to dine out regularly and charge all sorts of items that I didn't really need, such as extra clothes, electronics and unnecessary housewares.

When it came time to pay the monthly bills, I made the mistake of transferring balances back and forth in an attempt to avoid having to pay off balances right away. I just told myself, 'Oh, I'll pay that account off next month,' but months turned into years and my debt grew even more."

Moral of the Story: *Just because you charge your discretionary expenses on your credit card doesn't mean they'll go away.*

Step 3: Organizing your budget

After the second month of using your budget, use this sheet to compare what you've actually spent and the amount you've budgeted. **This will give you a clear picture of how realistic the amounts you budgeted are for each item and will allow you to be more accurate when doing your next monthly budget.** Make enough copies so you can try this exercise each month until the end of the year.

EXPENSES	BUDGETED	ACTUAL
Mortgage/Rent	\$	\$
Real Estate Taxes	\$	\$

EXPENSES	BUDGETED	ACTUAL
Homeowners Insurance	\$	\$
Car Loans/Lease Payments	\$	\$
Car Insurance	\$	\$
Student Loan Payments	\$	\$
Alimony/Child Support	\$	\$
Medical Insurance	\$	\$
Savings (5% is your starting goal)	\$	\$
Credit Card Debt (totalled from the worksheet in Step 4)	\$	\$
Phone Bill	\$	\$
Electric/Gas/Oil/Fuel Bill	\$	\$
Water Bill	\$	\$
Cable/Internet/Television Bill	\$	\$
Groceries	\$	\$
Household Supplies	\$	\$
School Supplies	\$	\$
Clothes	\$	\$
Recreation	\$	\$
Movies/Plays	\$	\$
Video Streaming Services	\$	\$
Dining Out	\$	\$
Sporting Events	\$	\$
Magazines/Newspapers	\$	\$
Barber/Beauty Salon	\$	\$
Hobbies	\$	\$
Charity	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$

EXPENSES	BUDGETED	ACTUAL
Other	\$	\$
Total	\$	\$

Where You Stand...

Now that you have compiled your income and expenses it's time to do the grand totals! All expenses are totaled and then subtracted from the total income figure for the month.



The amount that's leftover can

be used for day-to-day unexpected expenses or you can use it to make an extra payment on your debt.

Next, to really measure your progress, divide your total expenses (minus monthly savings contributions) by your total income using this formula:

$$\text{(Total Expenses - Monthly Savings)} \div \text{Total Actual Income}$$

This is your expense-to-income ratio. To avoid living paycheck-to-paycheck, this number should be 0.75 or less. Anything over 1 indicates that you're spending beyond your means. **You must begin to prioritize expenses.**

If you are headed for a debt disaster visit:

www.ConsolidatedCredit.org or call 1-800-210-3481 for free professional advice from a certified counselor.

Step 4: Analyzing your borrowing

Loans – and how you repay them – are a big part of your budget that you can't afford to forget.

Borrowing Worksheet

On this worksheet list your current loans or the loans that

you are thinking about taking out. You can find a free loan calculator online to calculate the total cost of interest, so you know how much it's costing you to borrow.

CREDITOR NAME	INTEREST RATE	AMOUNT OWED	MONTHLY PAYMENTS	LOAN LENGTH	COST OF INTEREST
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$

Total Average Interest % _____

Total Amount \$ _____

Total Monthly Cost \$ _____

Total Time to Payoff _____

Total Spent on Interest \$ _____

Credit Card Debt Worksheet

Use the following form to list your monthly credit card debt. List all major credit cards, department store credit cards, gas credit cards, and dining cards. When you're finished, total up the amount and transfer it to the appropriate column on the Fixed Expense Worksheet on the next page. **Making credit card debt a fixed expense can help you pay down your debt faster.**

CREDITOR NAME	INTEREST RATE	BALANCE OWED	MONTHLY PAYMENT
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$

Total Average Interest of All Cards: _____%

Total Owed: \$ _____

Total Monthly Payments: \$ _____

Step 5: Sticking to your budget

This is the most important step. If you don't follow through with your budget, then all the work you've done here will go to waste! Here are some of our favorite tips for sticking to a new budget:

Set a high budget for flexible expenses.

Because you can't always predict the cost of your flexible expenses, it's best to err on the side of caution.

Your budget should be reviewed at least twice every year just to make sure you're on track.

These yearly reviews are best done in spring and fall because you have different seasonal costs that may require budget tweaks. For example, budgeting for summer usually means

higher utility costs and gas prices; you also want to include savings for vacations, so your getaways don't have to go on credit.

Budgeting for fall and winter includes back to school shopping and the winter holidays – the two most expensive shopping events of the year.

Plan for when your income is higher than expected

If you get a raise or receive a tax return, put most of the extra cash flow toward savings and/or debt payments. We know it's tempting to use it all on discretionary expenses, but you will thank yourself later for saving the majority of it.



Using Technology for Your Budget

Often, we recommend using the pen-and-paper methods above to people just getting started with a budget because it helps you to understand your money better. Once you're more confident, you can start using the latest tech to maintain your budget. Here are a few methods we like:

Spreadsheets

Many people track their spending and budget in a simple spreadsheet. Using Microsoft Excel or Google Sheets, you can record all of your purchases and payments in one place. Though it's a bit more labor-intensive than the other, more automatic options, spreadsheets are popular because they are endlessly customizable.

Tiller Money

Tiller Money is an easier way to go the spreadsheet route. Its budgeting spreadsheet templates can connect to your bank accounts and credit card accounts to make recording your purchases much easier. It even works with both Excel and Google Sheets. However, this tool isn't free. After a 30-day trial, you will need to pay a monthly subscription fee. Use this booklet to write out your budget so you can be sure you can afford Tiller before you make the commitment.

<https://www.tillerhq.com/>

You Need a Budget (YNAB)

YNAB doesn't work with spreadsheets; instead, it's its own software. Unlike Tiller Money, it can be used both on desktop and on your smartphone. It helps you categorize your spending, generates reports, and offers workshops and personal support. You can try it free for 34 days. After that, you have to pay either a monthly or yearly subscription fee.

<https://www.youneedabudget.com/>

Mint

Mint is a completely free budgeting tool owned by Intuit, the same company behind TurboTax and QuickBooks. It's a mobile app that connects to your accounts to track and categorize your expenses. It even shows you your credit score. If you aren't ready to spend money on a more comprehensive budgeting software, Mint is a great (and free) way to start.

<https://www.mint.com/>

Example 1: A Bad Budget

Carrie recently lost her job and already has around \$5,000 of credit card debt. She was able to find a part-time job, but it

doesn't pay nearly as much as her former full-time career.

Carrie is a single mother currently renting a 2-bedroom apartment that she shares with her two children. Her car is on a lease and she has no student loans. Additionally, she receives some child support for her ex-husband every month. She's worried about racking up more debt but doesn't want to stop spending money on all the activities that her kids do.

Here is the budget she made and how the actual values ended up:

INCOME SOURCES	EXPECTED INCOME	ACTUAL INCOME
Part-Time Wages	\$2200	\$2125
Child Support	\$500	\$350
Total	\$2700	\$2475

EXPENSES	BUDGETED	ACTUAL
Mortgage/Rent	\$850	\$850
Car Loans/Lease Payments	\$200	\$200
Car Insurance	\$150	\$150
Student Loan Payments	\$0	\$0
Medical Insurance	\$560	\$560
Savings (5% is your starting goal)	\$20	\$20
Credit Card Debt (totalled from the credit card worksheet)	\$150	\$50
Phone Bill	\$100	\$125
Electric/Gas/Oil/Fuel Bill	\$50	\$55
Water Bill	\$25	\$22
Cable/Internet/Television Bill	\$80	\$80
Groceries	\$75	\$125
Household Supplies	\$0	\$10
School Supplies	\$0	\$11
Clothes	\$0	\$28

EXPENSES	BUDGETED	ACTUAL
Recreation	\$150	\$75
Movies/Plays	\$0	\$0
Video Streaming Services	\$15	\$15
Dining Out	\$0	\$15
Total	\$2600	\$2485

What went wrong?

This month, Carrie's income was \$2,475 and her expenses were \$2,485. That's a negative difference of \$10. However, her expected income was \$2,700 and her budget was only \$2,600, which would have left her with \$100 left over! Obviously, something went wrong with her budget.

Planning for a higher income

On Carrie's income worksheet, she used the income she could expect if she were to work all of the hours she could at her part-time job. However, one of her children got sick one day, and she had to miss a few hours to take her to the doctor. She also assumed that her ex-husband would be able to pay all of his child support. Unfortunately, he only paid her a fraction of it.

Instead, Carrie should have recorded a lower expected income that reflected realistic part-time wages and child support. This would have been more realistic and helped her spend less.

Unexpected expenses

Many of Carrie's expected expenses were off. For example, Carrie set a \$75 budget for groceries for a family of 3 for a whole month. It can be good to save aggressively, but this budget was unrealistic.

Carrie also set a too-low budget for her phone bill, dining out, school supplies, clothes, household supplies, and her electric

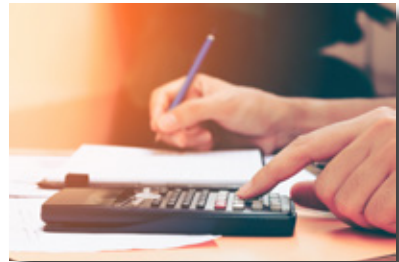
bill. Her usual phone bill is \$100, but one of her kids used more data than her plan could handle, and she was charged an extra fee. She had the goal to not dine out at all, but this goal was also too aggressive. After working late one night, she went through a drive-thru for dinner instead of cooking. School supplies and clothes were both random needs from her kids who lost their notebooks and outgrew some shirts. She needed some household supplies because she was running out of cleaners. Lastly, her electric bill went up because of an unusually cold month.

This overestimation of income and underestimation of budget means Carrie had to charge \$10 on her credit card and she was unable to even get close to her lofty goal of paying \$150 toward her credit card debt this month.

How could Carrie have prevented this? If she had been more realistic about her expected income and less aggressive with her low expense goals, this could have been avoided.

Example 2: A Good Budget

Nathan and Carla have steady jobs and a good amount of savings. Unfortunately, Carla's mother recently became very ill. Nathan went part-time at his job so he could stay home and care for her the rest of the time. Additionally, they have to shoulder all of Carla's mother's medical bills because her Social Security benefits barely cover anything, and she doesn't have health insurance. They don't own a home, and they are renting in an expensive part of town to be close to Carla's job. They are also leasing two cars, paying off student debt and paying off around \$7,000 of credit card debt.



They are dealing with all of this while also taking care of their teenage son, Alex, who will soon graduate high school and go off to college. Nathan and Carla want to make sure they can cover all their priorities, so Nathan decided to create a thorough budget.

Here’s the budget he came up with:

INCOME SOURCES	EXPECTED INCOME	ACTUAL INCOME
Part-Time Wages	\$2000	\$2100
Spouse’s Wage	\$3500	\$3500
Social Security Benefits	\$2200	\$2200
Total	\$7700	\$7800

EXPENSES	BUDGETED	ACTUAL
Mortgage/Rent	\$2600	\$2600
Car Lease Payments	\$427	\$427
Car Insurance	\$306	\$306
Student Loan Payments	\$328	\$328
Medical Insurance	\$512	\$512
Medical Bills	\$2000	\$1960
Savings (5% is your starting goal)	\$100	\$100
Credit Card Debt (totaled from the credit card worksheet)	\$275	\$275 (+ \$225)
Phone Bill	\$180	\$180
Electric/Gas/Oil/Fuel Bill	\$150	\$115
Water Bill	\$50	\$27
Cable/Internet/Television Bill	\$102	\$102
Groceries	\$400	\$361
Household Supplies	\$20	\$6
School Supplies	\$20	\$7
Clothes	\$50	\$25
Recreation	\$15	\$14
Video Streaming Services	\$40	\$40

EXPENSES	BUDGETED	ACTUAL
Dining Out	\$150	\$112
Total	\$7750	\$7722

What went right?

Nathan's family's income for the month was \$7930, while his expenses were only \$7722. That's a positive difference of \$78! His approach to his family's budget was the opposite of Carrie's.

Being cautious about estimating income

Instead of overestimating his income from his part-time job, he underestimated it. That worked out for this month, because he was able to work all the hours he wanted to, meaning he had extra money. Carla's income and her mother's Social Security benefits are fixed amounts, so he left those alone.

Expecting the unexpected

Even though Nathan didn't think he would need to spend very much money on things like school supplies, clothes, or recreation, he allocated a small amount of his budget to these categories. It turns out that he was right to do so – Alex needed some new clothes for school, a couple binders to replace some that broke, and some cash to cover his basketball team fees.

Overestimating priority expenses

Because Carla's mother is so sick, Nathan decided to over-budget for her medical expenses. Thankfully, her treatments this month cost less than expected.

Paying off more debt

Nathan guessed that he would only be able to pay \$275 toward his credit card debt, but because he saved on other expenses, he could pay \$500. The rest he decided to add to Alex's college savings.

Bad Budget Makeover

Let's look back at Example 1. How could Carrie have changed her budget to be more like Nathan's? Though there is a big gap between their incomes, Carrie could be just as stable if she budgeted differently.

Let's see how she could have done better:

INCOME SOURCES	EXPECTED INCOME	ACTUAL INCOME
Part-Time Wages	\$2150	\$2125
Child Support	\$300	\$350
Total	\$2450	\$2475

EXPENSES	BUDGETED	ACTUAL
Mortgage/Rent	\$850	\$850
Car Loans/Lease Payments	\$200	\$200
Car Insurance	\$150	\$150
Student Loan Payments	\$0	\$0
Medical Insurance	\$560	\$560
Savings (5% is your starting goal)	\$20	\$20
Credit Card Debt (totaled from the credit card worksheet)	\$30	\$30 (+ \$25)
Phone Bill	\$100	\$125
Electric/Gas/Oil/Fuel Bill	\$50	\$55
Water Bill	\$25	\$22
Cable/Internet/Television Bill	\$80	\$80
Groceries	\$200	\$201
Household Supplies	\$15	\$10
School Supplies	\$15	\$11
Clothes	\$40	\$28
Recreation	\$150	\$75
Movies/Plays	\$0	\$0

EXPENSES	BUDGETED	ACTUAL
Video Streaming Services	\$15	\$15
Dining Out	\$0	\$15
Total	\$2425	\$2475

What went right?

This version of Carrie's budget is much better, even though she was technically over-budget on her expenses. How did that happen? Well, she started by being more realistic about the income she would receive. It's always better to underestimate income than overestimate.

Second, Carrie left a cushion of \$25 between her expected income and her budget. This means that even if her expenses were too high, she was prepared. Carrie was also more realistic about the credit card payments she could afford in this version. She realized that budgets were adaptable.

Her actual expenses were \$25 higher than she planned for, but because she underestimated her income, Carrie actually ended the month with \$25 extra dollars to put toward her credit card debt!



About Consolidated Credit

Consolidated Credit is a consumer oriented, public education organization. We are an industry leader in providing credit counseling and debt management services throughout the United States.

Our mission is to assist individuals and families end financial crises and help them solve money management problems through education, motivation, and professional counseling.

We are dedicated to empowering consumers through educational programs that will influence them to refrain from overspending and abusing credit cards, as well as to encourage them to save and invest. We sponsor local free seminars that are also available to any group or organization that requests our educational services.

Our professionally trained counselors have assisted thousands of families across the United States. Regardless of whether your financial problems are due to the purchase of a new home, birth of a child, major illness, or any other circumstance, we can help.

Our organization is funded primarily through voluntary contributions from participating creditors. Our programs are designed to save our clients money and liquidate debts at an excellent rate.

Consolidated Credit is a member of the Better Business Bureau, the National Association of Credit Union, United Way of Broward County and Financial Counseling Association of America.

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Call today, and take your first step toward financial freedom!

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or visit www.ConsolidatedCredit.org



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