



BUDGETS

*for the single moms,
business owners, newly
weds, and everything in
between*

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Over the past year of marriage, we have really come to understand what "living within our means" really means. When we got married, we sat down and decided on several financial and personal goals that we would like to accomplish in the first few years of marriage. Some of these goals included buying a house, traveling to as much of the world as possible before having kids, paying off our student debt, and building a strong emergency fund for rainy days ahead.

In order to accomplish all of these goals, we really needed to come up with a strict budget — one that laid out all of our income and expenses to provide visibility into where our money comes from and where it goes.

As we come to a close on our first year of being married, we have reviewed some of our goals and the progress that we have made. Honestly, the benefit and impact of our budget has been so incredible, I wanted to share some of our best tips and tricks for anyone out there who is struggling to implement a budget into their daily lives. (Note: because my husband is a CPA, I asked him to contribute to this as well to hopefully make this resource as useful as possible to anyone who needs it!!)

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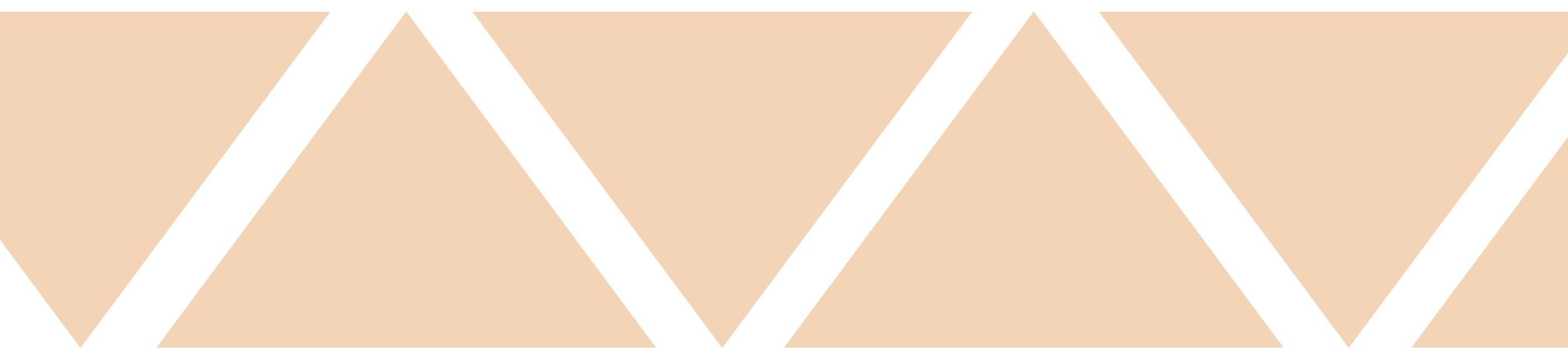
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01 IMPORTANCE OF A BUDGET

As I mentioned earlier, we have found using a budget to be *pivotal* in allowing us to accomplish / make progress toward accomplishing the financial and personal goals that we have set for ourselves. Ron and I are *very* different people, and we approach a lot of different areas of life from different viewpoints. But building and implementing a budget helps us both stay grounded in our progress toward the goals that we both want to accomplish.

The first most important thing to ask yourself when thinking about a budget is “Why do I want a budget?” Are you hoping to one day buy a house? Pay for your childrens’ education? Go on an incredible trip? Buy a car? Pay off some debt?

By building a budget the right way, you will be able to take one look at your entire financial situation and understand if you are saving enough, spending too much, or making decisions that you cannot financially support. A budget will help you consolidate all of your information into one place, and enable you to make well-informed, smart decisions about your money and what you do with it.

02 SETTING FINANCIAL GOALS

This is where building a budget starts. The most important thing that we did in the past year was sitting down and discussing our financial goals. We made a list of 1-year, 5-year and 10-year goals. Here are a few of the goals we established and are really working toward accomplishing:

- 1-Year Goals
 - Take two international trips
 - Reach a certain number in savings
 - Build an emergency fund with 1 month of income for worst-case scenarios
- 5-Year Goals
 - Travel to 15 different countries
 - Buy our first home
 - Pay-off 75% of our student debt
 - Expand emergency savings to 6-months of income for worst-case scenarios
- 10-Year Goals
 - Start 529 Plans for our kids' college education
 - Be settled in forever home
 - Pay off student debt completely

Obviously, these are just examples of goals that you can set for yourself. This list doesn't include a lot of our "reach" goals, but is a good starting point for anyone who needs some ideas to get them thinking.

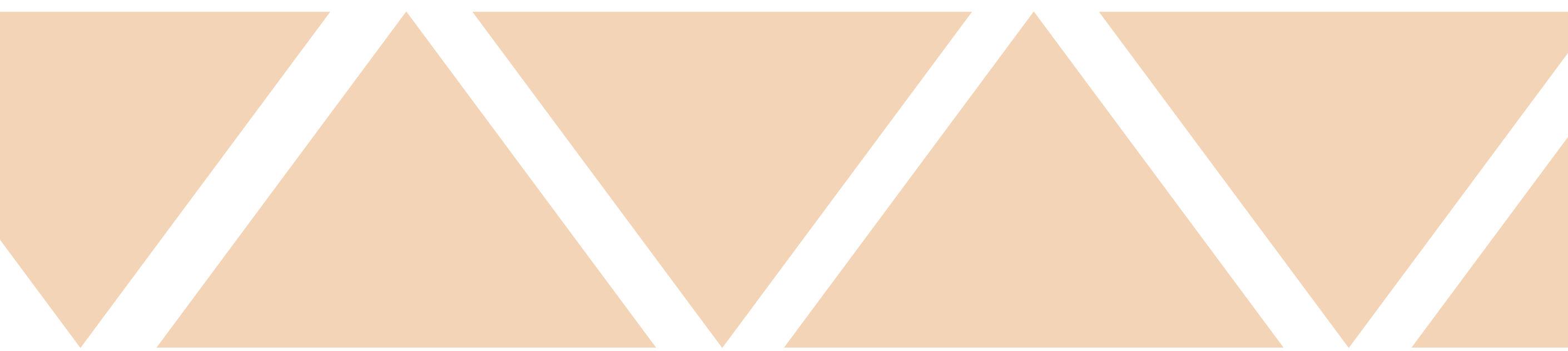
When I say “reach” goals, what I mean is that we set goals that are outside of our comfort zone – difficult for us to reach. In order to hit these goals, we have to really stretch ourselves. Our reach goals *all* have to do with certain savings goals, and really push us to look at our spending critically, and make cuts where possible to save more and more.

Our view is this: we should set enough goals that we won’t reach so that we don’t ever run out of motivation to keep pushing ourselves. When we look back on our 1-year, 5-year and 10-year plans, we want to be able to see some areas where we didn’t quite hit our target. That shows us that even though we really tried, and made honest efforts toward these goals, they may have been just a little outside of our reach.

Example: you might be comfortable saving \$500 per month. As one of your goals, you push yourself to save \$800 this month. In order to reach this goal, you cut spending in unnecessary areas, and push yourself to save every penny you can. Even though you might end the month at \$750, you have really exceeded your normal monthly savings amount by \$250! If you hadn’t pushed yourself by setting a bit of an overly aggressive goal, you may never have saved that extra money! Now, the other side of this is you want to make sure that even when you are setting “reach” goals, you aren’t getting too carried away. You wouldn’t want to set a goal of saving \$1,000 per month if you are only making \$1,100!

Try this for yourself. Use the attached template (SETTING YOUR GOALS) to make goals for yourself for the next year, 5 years and 10 years. Try and make most of your goals reasonable goals that you are confident you will achieve, but don’t forget to leave room to challenge yourself with some reach goals that will really push you to use your money wisely and make every dollar count!

(We also use a similar type worksheet to set goals for other areas of our lives! I use this exercise all the time to set goals for my company Sunday Morning Marketing, and my husband uses it to set goals for his personal life – fitness, reading, education, etc.!!)



03 BUILDING YOUR BUDGET

Now, some important things to say upfront here. I am definitely not a certified wealth manager, and I don't claim to be an EXPERT on all things money, by any stretch. I'm writing all of this to share with you what has worked best for us, and I hope you find that this resource helps motivate you!

In order to help you build a budget, we have created a budget spreadsheet for you to use! Take this template (BUILDING BUDGET SPREADSHEET), and use it as we walk through each step.

Income

The first place to start is figuring out how much money you make. Be careful here, because the easy thing to do is say "hmm ok I make \$45,000 a year, so each month I make \$3,750". What this doesn't account for is all of the deductions that are taken out of your paycheck. When figuring out how much money you make, use the net amount of take home pay (the amount that you actually get paid per your periodic paycheck).

Now I know a lot of you (like me) don't have a set paycheck that comes in week after week. You might be a waitress, or have a job that is heavily dependent on tips and commissions. If that's the case, what we like to do is take an average month's income and budget off of that. Note: when budgeting off of a variable income, it helps to create two expense sections – one section for fixed expenses that don't change each month (rent, cable, etc.) and one section for variable expenses that can increase or decrease depending on spending habits and monthly needs (groceries, coffee, etc.). More on that later!

Once you have determined the total amount you get paid each month, think about any additional income you may have. This may be recurring income for the whole year (interest from bank accounts, rental income, etc.) or it may be one-time or seasonal income (sometimes Ron caddies in the summer at a golf course and makes a few extra bucks). Think about all of those amounts and list them separately.

Now that you have determined your total income, let's think about **expenses**.

Expenses

As I mentioned above, because a lot of our income is variable (not a set paycheck month to month), we think about expenses in a couple of different categories:

- Payroll Deductions
- Fixed Expenses
- Variable Expenses
- Discretionary Spending

- **Payroll deductions:** When you get paid, your net payroll amount is less than the total amount of your salary. Certain expenses are withheld from your paycheck each month. This includes things like income taxes, health insurance, pre-tax contributions to a 401(k), etc. All of these expenses are typically withheld from your paycheck. As such, we make a separate section at the top of our budget that lists all of the things paid for before we even get paid. Because we build our budget off of the total amount we actually receive, these expenses don't reduce our income amount.
- **Fixed expenses:** These expenses don't change month to month. Every month, we expect to pay the same amount in rent, cable, parking, cell phone bills, renters and auto insurance, and student loan payments. We group all of these expenses together into the second section of our expense breakout.

*The first line of our fixed expenses is for tithes. While there are some different views on the biblical "requirements" to tithe, we believe that the underlying truth is that we, as Christians, should give generously back to the church. We don't view this amount as an expense, but rather we view it as us giving back to God just a portion of what He has given to us. **A word of caution to the fellow young Christians out there:** it is easy to get caught up in the back and forth between the different stances in tithing. Be careful that you don't misunderstand "Each one must give as he has decided in his heart, not reluctantly or under compulsion, for God loves a cheerful giver" (2 Cor 9:7) as don't give at all. Matthew 6:21 says "For where your treasure is, there your heart will be also." We typically use 10% of income as a starting point for how much to give back to God. We find that by giving a set amount each week, we prioritize this amount and make sure that we keep our financial habits in check in a way that honors the Lord.*

- **Variable expenses:** These expenses can change month to month, and often times can be reduced with some effort. Expenses in this category include groceries, utilities gasoline, and other household expenses.

- **Discretionary spending:** Expenses that fall into this category are those expenses that are not critical to day-to-day life. We typically include my daily coffee, our gym membership, date nights, seasonal clothes shopping, entertainment, travel, and hobbies (golf, manicures, kayaking, etc.).

Once you have finished detailing all of your expenses and categorizing them into the 4 categories above, take a moment and review everything. Make sure that you a) have included all of your expenses (review your last couple months of credit card statements and make sure you got all of your monthly expenses), and b) begin to think about which of these expenses can be reduced, and where you may be spending more than you need to spend. Some examples might include:

- Getting your nails done once a month instead of once every two weeks
- Making coffee at home instead of buying Starbucks each day
- Packing a lunch for work
- *Couponing* for groceries
- Finding a cheaper gym (we use Work Out World and pay \$10/month – it has everything we need, although, Ron does wish there was a basketball court)
- Buying clothes on holiday sales (Memorial Day, July 4th, Black Friday, etc.)

Highlight these areas in your budget and keep them in mind for later. Now, onto the most important part of setting a budget – **SAVINGS**.

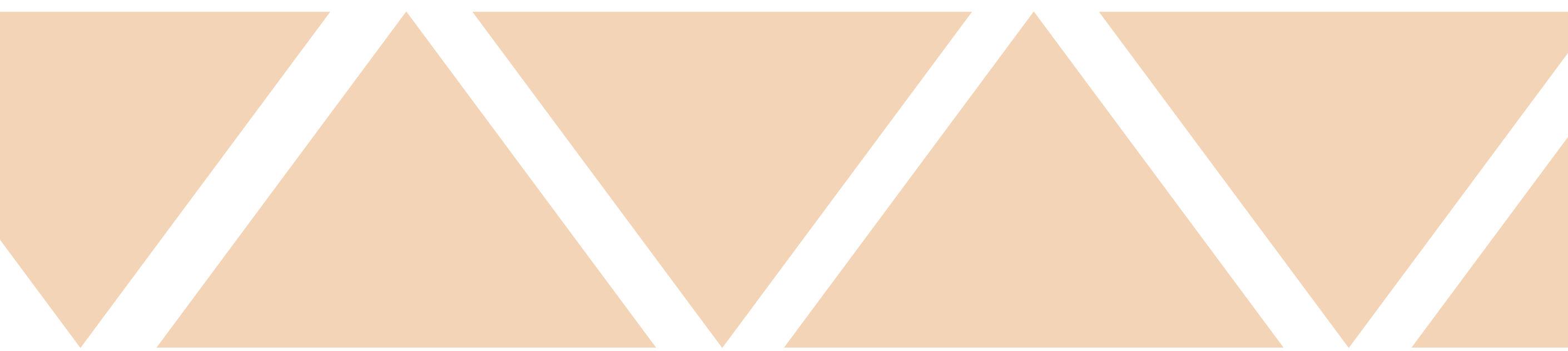
Savings

One of the main reasons to build a budget is to really work toward saving more than you currently do. Building a healthy savings account is so important to meeting any of your future financial goals. We currently have two savings accounts. One main account where we are trying to save as aggressively as possible to buy a house in a few years, and another where we are building our emergency fund. A general rule of thumb that we have taken to heart is that you should try to have between 3 and 6 months worth of your household income set aside in an emergency fund should a worst-case scenario arise. If Ron were to lose his job and for some reason my business came grinding to a halt, we would want to have enough money to pay our necessary bills until we were able to get back on our feet and find new jobs, etc.

This is a lot harder than it seems. It is easy for us to find the motivation to save for a house in the future, but putting money away as an emergency fund can seem ridiculous at times, and can be really hard to find the motivation for. Nonetheless, building a savings account and a good foundation for the future is critical, especially if you are a newly wed!

Now that you have detailed all of your income and all of your expenses, you should be able to calculate the remaining amount of money that you have after all of your expenses. We try and save as much of this as possible. Take the total amount remaining after your expenses, and determine what you will allocate that amount to. Save as much of it as you can. Here is where you will take your list of future goals and start allocating the remaining amount of money you have to those future goals. Break out the remaining amount of money into two areas, emergency savings and goal achievement. Under the goal achievement category list all of the goals that you came up with in the first workbook, and allocate an amount to each of them each month.

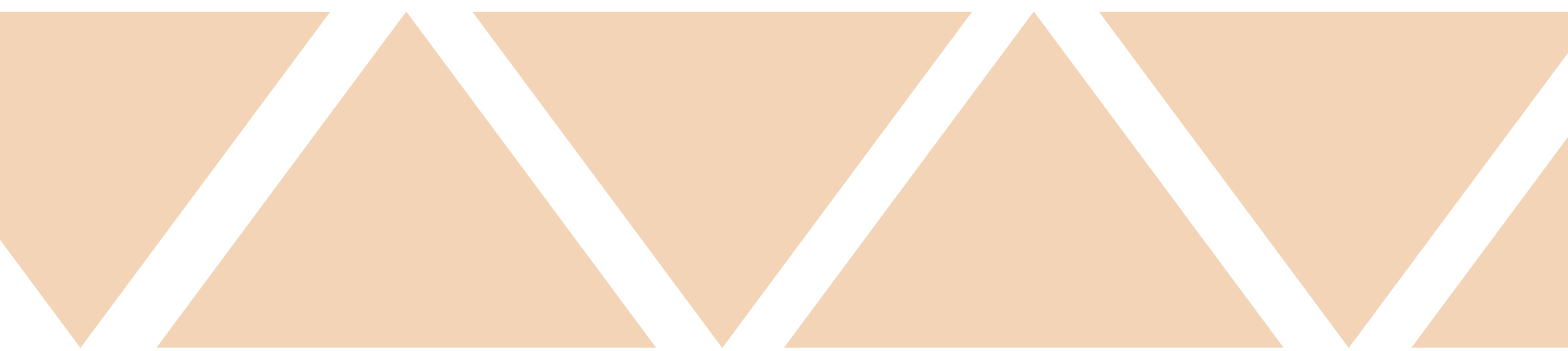
If you realize that you don't have enough income left over to properly save for each of your goals, go back up to the expense section and start looking at the variable and discretionary expenses that you highlighted. Can you reduce spending in some areas? Can you eliminate some expenses altogether? Maybe try getting Dunks instead of Starbucks, or start making your own coffee at home. Maybe make dinner at home on weekends instead of going out for dinner. Watch a movie on Netflix instead of going to the theater. Skip the manicure this week. Wait to go on that shopping spree until the next big sale. Try to figure out how you can move things around and reallocate unnecessary spending toward achieving your future goals!



04 ADJUSTING YOUR BUDGET

Now that you have your budget made, your goals outlined, and your expenses in check, it's important to understand that sometimes, things change. Some months, you may have higher expenses than others. You might get a raise. Maybe you lose your job and have to spend a couple of months looking for a new one. Budgets should be made dynamically. Basically, what that means is that in order to be able to build a budget and stick to it, you have got to account for the fact that sometimes things change.

As you work toward sticking to your budgets and following your monthly spending and saving goals. Don't get discouraged if you spend a little too much in one month. What we usually do is take a look at the end of each month to see how much we spent, and how close we came to meeting our savings goals. If we spent a little bit too much on groceries or on date nights in June, we will try and limit the spending in those categories in July, and make up for the extra spending in the prior month. Each month, you should look at how you did in the month before, and try and adjust the next month to make up for any areas that you didn't quite meet your target.



05 HELPFUL TOOLS

Ron uses Excel for just about everything. He builds spreadsheets and makes these crazy complex workbooks on there that help him keep track of all kinds of things. My absolute favorite budgeting tool is Mint. Mint is an app you can download and input your budget. It links up directly with all of your bank accounts, loans, and credit cards, and tracks all of your spending in each category. The way it works is simple: once you create your budget on Mint, it will take all of the transactions that hit your bank account and credit cards and will categorize them into certain categories. I.e. when we spend money at Market Basket, it will put all of that expense into our “Grocery” bucket. At the end of the month, you can easily log in and see how much you spent vs. how much you budgeted for each category. This app really holds us accountable, because as soon as we start to get close to our budgeted amount in any category, it sends us both an email alert letting us know how much we have spent to date.



CONCLUSION

My main goal in putting this resource together is to hopefully give anyone who isn't sure how to get started building a budget a good tool to use and refer back to as they go. As you build out a budget and research other money management tips, you are bound to find many other tips and tricks that work for you!

I hope that as you read this ebook, you were able to start viewing your finances, future goals, and spending habits a little bit differently. I wish you all the best as you work toward accomplishing all of the goals that you have set for yourself!!!