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Budgeting 101 Outline

Developing a budget Debt repayment Saving



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What is a Budget?

A money management tool

Allocates spending for different expenses

Provides control over where your money is going

Allows spending to be tracked easily

Summarizes income and expenses for a set period of time, generally one month

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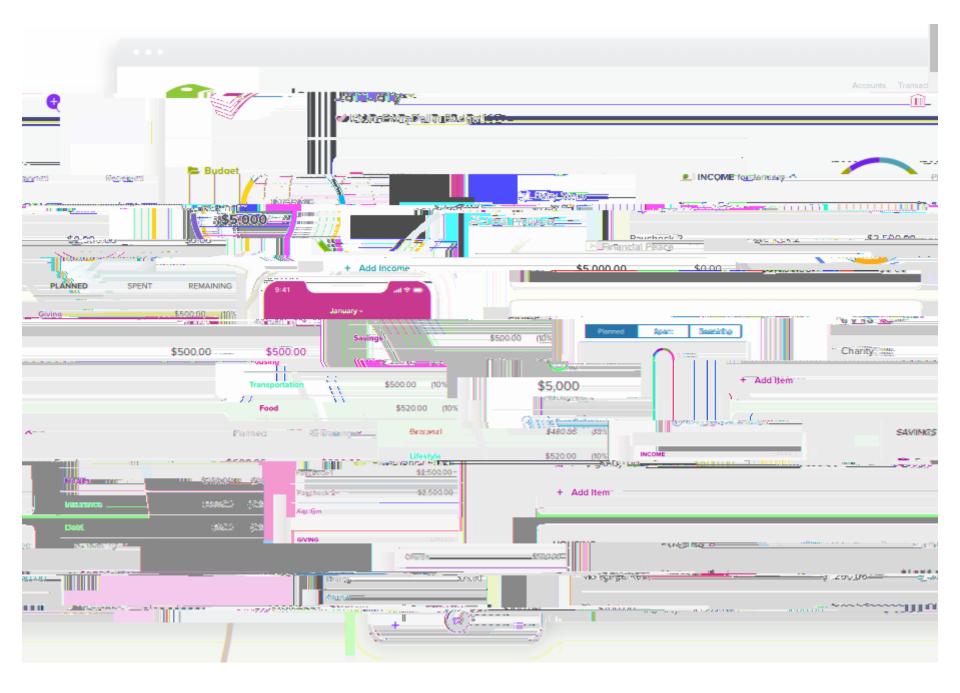
What is in a Budget?

Income from all recurring sources; paychecks, bonuses, etc.

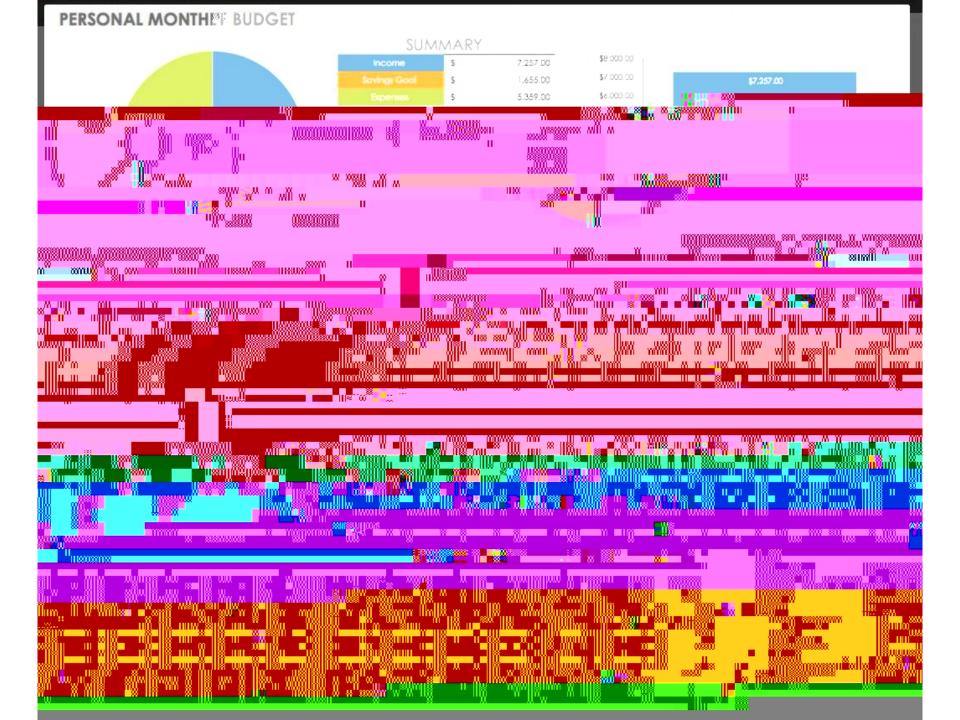
A dedicated line for each type of expense; rent, groceries, utilities, etc.

Planned savings (short-term/long-term)

Strategic debt repayment







Considerations for Creating Your Budget

Account for fluctuations in bills, e.g. electric and/or gas by season Are certain expense due quarterly? property taxes, water/sewer, for example Have I included planned savings Do you have a strategy for paying off debt?

Savings

Should be made on a schedule Budget a set monthly amount as if it were an expense

Short-term: For large purchases

Vacations, down payment on a car, new television, etc.

Medium-term: Emergency fund equal to 3-6 months of expenses

Funds to be used during job loss, major medical expense, etc.

Long-term: retirement

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Contributions to Charity

Giving is a good thing, but needs to be accounted for Build monthly for contributions made annually; set aside 1/12th of the annual amount each month

Consider automatic deductions

Many charitable contributions are tax deductible (if itemizing)

Monthly payments included in budget

Monthly payments should always be made on time, or your credit/score could be negatively affected

Budget for paying additional principal

etc.

If possible, allocate an additional monthly amount beyond the required payment

Periodic changes are necessary Make changes for increase/decrease in income

Starting a new job, reduction in hours at work, etc.

Make adjustments for changes in spending patterns

Cook more instead of eating out, change in mode of transportation, etc. Make modifications for major life experiences

Marriage, children, move to a different city, buy a house, etc.

- <u>EveryDollar</u> Free, with Plus version for an annual fee <u>https://www.everydollar.com/</u>
- Mint brings all your financial accounts to the same place. <u>https://www.mint.com/</u>
- YNAB Free first year for students. Mobile access to your budget <u>https://www.youneedabudget.com/</u>
- Free annual credit report

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