

Budget Quick-Start Guide

Using a budget or spending plan involves **four key activities**:

- Determining current income and expenses
- Planning future income and expenses
- Tracking actual income and expenses
- Reviewing actual versus planned income and expenses

1. Determining Current Income and Expenses

To get started with this phase, fill out the “Now” columns of the **Monthly Cash Flow Plan**. Start by entering your household’s monthly net income – the amount after deductions such as taxes, retirement contributions, insurance plan contributions, etc. Next, enter your current monthly giving and saving amounts. Complete a **Debt Summary Form** and enter debt amounts. Then fill in the rest of the “Now” figures as well as you can. You may not have a good idea how much you’re spending in certain categories. That’s okay. For now, just take an educated guess (at the same time however, begin keeping track of existing expenses using a **Spending Diary**).

Note that the first line in each category is for the total of that section.

Be sure to fill in the last three lines of the **Monthly Cash Flow Plan**: your total monthly income, total monthly outgo, and the difference between the two.

2. Planning future income and expenses

Once you’re finished filling in the “Now” columns of the **Monthly Cash Flow Plan**, fill in the “New Plan” columns.

- Monthly Income – In most cases, your planned income will be the same as your current income, unless you’re working on increasing your income and it’s realistic that your income will go up.
- Giving – We encourage you to aim for giving at least 10 percent of your gross monthly income.
- Saving – Again, we recommend saving and/or investing at least 10 percent of your gross monthly income. Before that however, you need to build up an emergency fund of at least four to six months worth of living expenses; then begin saving or investing. The only exception is if you have credit card or other types of non-mortgage debt. In that case, build up an emergency fund of one month’s worth of living expenses, and then accelerate your debt payments. Once you’re out of debt, build your emergency fund to four to six months of expenses, and then begin saving and/or investing.
- Debts – If you have credit card balances that you do not pay in full each month or other types of non-mortgage debt, commit to go no further into debt and then, at the 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 “New Plan” 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** as much as you can come up with to get out of debt as soon as possible.

Set “New Plan” amounts in the rest of the spending categories in a way that leaves you with a balanced **Monthly Cash Flow Plan**. All your income should be allocated; the last line, “Income Minus Outgo” should be zero.

3. Tracking Actual Income and Expenses

As you spend money, keep your receipts and/or jot down how much you spend in your **Spending Diary**. This is especially important for your cash and debit card purchases. At the end of each day, enter your expenditures on the **Monthly Cash Flow Tracker Sheets** for each spending category. Enter all expenditures regardless of how they were paid for (cash, debit card, credit card, check, automatic bank withdrawal, etc.).

Keep your **Monthly Cash Flow Tracker Sheets** in a binder somewhere you will see it every day – like the kitchen table or nightstand (you get the idea!). That will help you to remember to record each day’s expenses. By the way – this tracking procedure is to be following by both husband and wife if married (use only one set of tracker sheets for the family however). It’s a good idea to put a line through each day’s date after you record the expenses. That will be an indicator that you recorded all that day’s spending.

4. Reviewing Actual Versus Planned Income and Expenses

At the end of each month, total each category on all your **Monthly Cash Flow Tracker Sheets**. The purpose of tracking your spending for two or three months is to make the “Now” columns of your **Monthly Cash Flow Plan** as accurate as possible. That will help you refine your “New Plan” goals.

After two or three months of tracking expenditures and refining your **Monthly Cash Flow Plan’s** “New Plan” numbers, you are ready for.....

The Next Step.....

Now we are ready to transfer those refined “New Plan” figures to a **Monthly Spending Plan** form and also allocating current available funds amounts to **Expense Account Pages**. Those pages are where the budget really comes to life. Each page will reflect both debits (income) and credits (expenses) and will tell you instantly how much money you have available in each expense category. These pages can be kept either manually on paper or using any one of a number of computer programs. **(See separate instructions for using Monthly Spending Plan, Income Allocation Form, Guideline Percentage Chart, and Expense Account Pages)**

And finally.....

Remember, budgeting is not about *less*. Budgeting is actually about *more* – having more knowledge about where your money is going, so you can spend more effectively (that’s good stewardship!). Stick with it! As you get accustomed to using a budget you will find yourself living with more margin financially, accomplishing more of your goals (short and long term), and enjoying a lot more peace of mind.