

BUDGET BASICS

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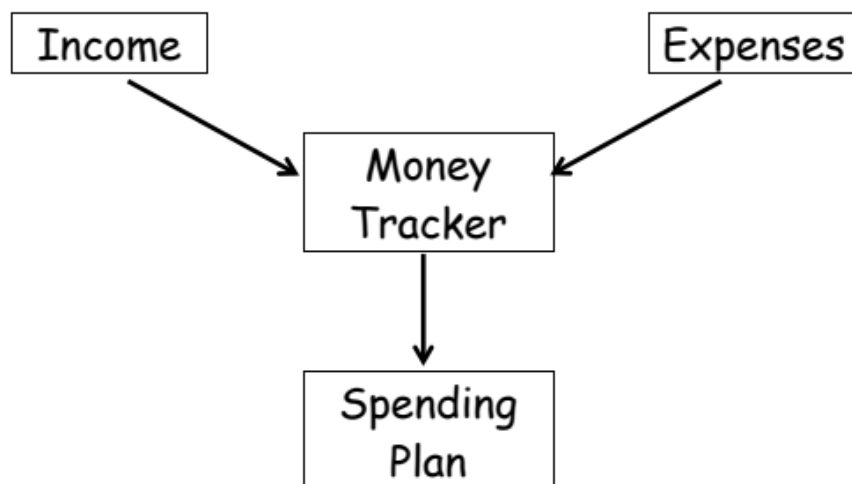
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OBJECTIVES

This presentation will show you:

1. How to track your income and expenses;
2. How to make a spending plan from this information;
3. How to make changes to a spending plan;
4. Tips for following a spending plan.

SPENDING PLAN - THE PROCESS



SPENDING PLAN

The spending plan is another name for a budget.

It's a plan to best spend your money, to cover your needs and goals.

It helps find ways to put money aside for the future.

MONEY TRACKER

You will need to know your income and how you are spending your money now.

Keep a record of information by using a money tracker or a journal.

List your income and all your monthly expenses.

Keep track of what you spend every day, by keeping receipts and using bank and credit card statements.

CREATING THE SPENDING PLAN

In the spending plan, add up all income sources.

From the money tracker, summarize the expenses into various categories.

Be very detailed in your spending plan to find out exactly where you are spending your money.

Decide which expense categories are "Needs" and which ones are "Wants."

List all the basic expenses (the "Needs") in one section.

List all the extra expenses (the "Wants") in a separate section.

Add up all the expenses and subtract from income.

Look at the result:

A positive result means a surplus (good).

A negative result means a deficit (bad).

FOLLOWING THE SPENDING PLAN

Follow the spending plan as best you can.

Set aside the money needed to cover your basic expenses first (the "Needs").

With the money left over, spend what's required for the extra expenses (the "Wants").

If necessary, think of where you might shift your spending to meet your basic needs or to save money.

Plan on expenses for some fun activities as well.

INCOME AND EXPENSES

INCOME - money that you receive, usually on a regular basis. Here are some examples:

Pay cheque	Salary
Company pension	RRSP and RRIF
Child support	Alimony
Government benefits	Cash for work done

EXPENSES - money that you spend, either on a regular basis or an occasional basis.

Expenses can be divided into **Needs** and **Wants**.

Needs - things you cannot do without.

Wants - all other expenses.

Expense	N/W	Expense	N/W
Rent	N	Lottery tickets	W
Heat, hydro, water	N	Groceries	N
Sports game ticket	W	Gym membership	W

If **Income** is bigger than **Expenses** = **Surplus** (good).

$$\text{Income} - \text{Expenses} = \text{Positive } (> 0)$$

If **Expenses** are bigger than **Income** = **Deficit** (bad).

$$\text{Income} - \text{Expenses} = \text{Negative } (< 0)$$

WEEKLY MONEY TRACKER

From _____ To _____

Notes _____

Date	Details	Category	Amount	\$	CC

WEEKLY MONEY TRACKER

From May 1 To May 7

Notes Case #1 - Week #1 expenses

Date	Details	Category	Amount	\$	CC
5 / 1	Pay cheque	Income	1800.00	x	
5 / 1	No Frills - groceries	Food	45.00		x
5 / 1	Chocolates for mom - gift	Other	10.00	x	
5 / 1	Rent	Home	600.00	x	
5 / 2	Furniture insurance	Home	35.00		x
5 / 2	Bus pass	Travel	87.00		x
5 / 3	Cell phone bill	Utilities	65.00	x	
5 / 4	Tim Hortons	Food	2.50	x	
5 / 5	Laundry	Personal	15.00	x	
5 / 6	McDonald's meal	Food	7.20		x
5 / 7	No Frills - groceries	Food	125.00		x
5 / 7	Unknown payment (cash)	Other	5.00	x	

SPENDING PLAN WORKSHEET

Total Income =	
Basic Expenses (Needs)	Amount
Extra Expenses (Wants)	Amount
Total Expenses =	
Income - Expenses =	

SPENDING PLAN WORKSHEET

Case 2 - \$1800 Income

Total Income =	1800
Basic Expenses (Needs)	Amount
Rent	600
Insurance	35
Bus pass	87
Electric bill	80
Water	45
Groceries	400
Medical	50
Extra Expenses (Wants)	Amount
Cell phone	60
Cable / Internet	100
Restaurants / Fast food	50
Clothes	40
Hair	25
Laundry	60
Gifts / Entertainment	75
Pets	20
Cash / Debit Card	45
Total Expenses =	1772
Income - Expenses =	28

THE SPENDING PLAN WORKSHEET

SPENDING PLAN WORKSHEET

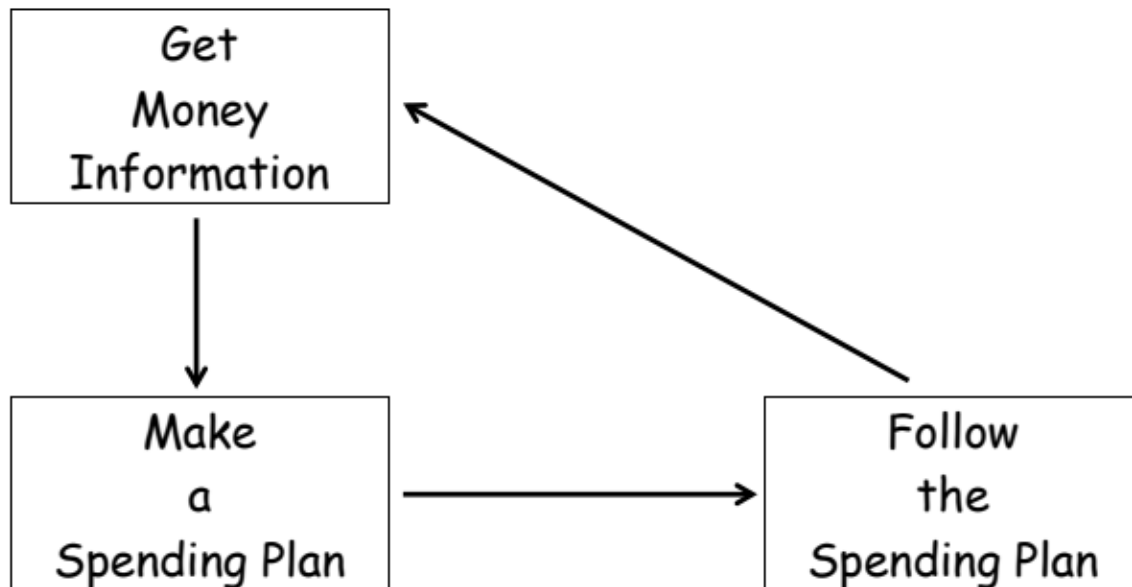
Case 2 - \$1800 Income

Total Income =	1800
Basic Expenses (Needs)	Amount
Rent	600
Insurance	35
Bus pass	87
Electric bill	80
Water	45
Groceries	400
Medical	50
Extra Expenses (Wants)	Amount
Cell phone	60
Cable / Internet	100
Restaurants / Fast food	50
Clothes	40
Hair	25
Laundry	60
Gifts / Entertainment	75
Pets	20
Cash / Debit Card	45
Total Expenses =	1772
Income - Expenses =	28

Spending Plan Worksheet- Case 2

<p>→ Total Income</p>	<p>IN = 1800</p>
<p>→ Basic Expenses (Needs)</p>	<p>EN = 1297</p>
<p>→ Extra Expenses (Wants)</p>	<p>EW = 475</p>
<p>→ Total Expenses</p>	<p>EN + EW = 1297 + 475 = 1772</p>
<p>→ Income - Expenses</p>	<p>IN - EN - EW = 1800 - 1297 - 475 = 28</p>

THE BUDGET CYCLE



Use the money tracker to get information about your income and expenses.

Create a spending plan for a chosen time period.

Follow the spending plan as best you can.

First, set aside the money for the Needs.

Then, spend what's required for the Wants.

At the same time, track your income and expenses to make the next spending plan.

Repeat this cycle.

CHANGING THE SPENDING PLAN

To set a savings goal, do the following:

Put the savings goal in the Basic Expenses (Needs).

Adjust the Extra Expenses (Wants) to get a surplus.

Example: Add a savings goal of \$100.

Source of Monthly Income	Plan		Changes-1	Changes-2	Changes-3
Pay	1,800.00		1,800.00	1,800.00	1,800.00
Total Monthly Income	1,800.00		1,800.00	1,800.00	1,800.00
Basic Expenses (Needs)					
Item	Amount		New Amount	New Amount	New Amount
Rent	600.00		600.00	600.00	600.00
Insurance	35.00		35.00	35.00	35.00
Bus Pass	87.00		87.00	87.00	87.00
Electric Bill	80.00		80.00	80.00	80.00
Water	45.00		45.00	45.00	45.00
Groceries	400.00		400.00	400.00	400.00
Medical	50.00		50.00	50.00	50.00
Savings			100.00	100.00	100.00
Extra Expenses (Wants)					
Item	Amount		New Amount	New Amount	New Amount
Cell Phone	60.00		60.00	60.00	60.00
Cable / Internet	100.00		100.00	100.00	100.00
Restaurants	50.00		50.00	50.00	25.00
Clothes	40.00		40.00	10.00	20.00
Hair	25.00		25.00	15.00	25.00
Laundry	60.00		60.00	50.00	50.00
Gifts	25.00		25.00	15.00	25.00
Entertainment	50.00		50.00	35.00	30.00
Pets	20.00		20.00	20.00	20.00
Cash / Debit card	45.00		45.00	45.00	40.00
Total Monthly Expenses	1,772.00		1,872.00	1,797.00	1,792.00
Income - Expenses	28.00		-72.00	3.00	8.00
			Deficit		

CONTROLLING EXPENSES

Reaching your financial goals has 2 parts:

- a. Know what you spend, using a current budget.
- b. Control your spending.

REDUCE UNNECESSARY SPENDING

Some expenses are for a choice, not a need;

e.g., bottled water, going out for meals,
magazines, electronic gadgets.

Spending money on the things that you don't need can really add up.

It's okay to spend money on "extras" - if you can afford it.

If you can't pay your bills or save money for your future, you might need to spend less.

Look at your current spending on "wants" and "extras" and start cutting there.

REDUCE TEMPTATIONS

Here are some ways to reduce your spending:

- Set aside the money you can afford to spend each week - and only spend that amount.

- Wait until next week before spending more.
- Shop with a list and stick to it.
- Use coupons and price matching programs.
- Avoid trips to shopping malls and on-line buying sites.
- Pay by cash or debit card so you don't spend money that you don't have.
- Get a lower limit on your credit card.
- Stop impulse buying - wait until tomorrow to decide if you still want to buy something.
- But, don't deprive yourself of everything - set aside a small amount every week for treats.

MAKE YOUR MONEY GO FURTHER

Try to get more out of your products and services

- Check your bills for mistakes and overcharges.
- Pay bills on time to avoid late fees, interest charges and penalties.
- Ensure you have the best package of banking services, at the lowest cost.
- Get a better price for internet, phone and tv.