



DELRAY CREDIT COUNSELING

Debt Consolidation and Credit Counseling

Basics of Budgeting

Reviewing:

- Ten Steps to creating a budget
- How to find where your money is going
- Tips to stay on course
- Budget format included

Ten Steps To Create A Budget

Basics of Budgeting

A budget is simply a written list of expected income and anticipated expenses for a given period of time. This can be broken down yearly, quarterly, monthly and/or weekly. The most important thing is that it's easy to understand and implement. The most common time frame done is monthly. The following is a step-by-step guideline to set up a monthly budget:

1. List all anticipated income.
2. List all payments with a fixed due date and the date they are due.
3. List all payments with a variable due date also listing the date they are due
4. Separate the debts by categories, Home, Travel, Utilities, Entertainment, Miscellaneous and Savings.
5. Write out the dates of each expected pay period and when the funds will be available to you.
6. Take all of the categories that you have created and subdivide them by the dates that they are due.
7. Allow time for mailing and list each payment you need to make under the pay period that the funds need to be paid from. (You may have too much going out one week at this stage but that's okay you can make changes later)
8. Compare the totals of both income and expenses for each week, if there is more going out in one pay period than is coming in, you may need to try to change some of the dates that the bills are due. Most creditors will cooperate with you on this if it's a fixed payment schedule. If the due date cannot be changed, you will need to carry a rolling balance from the previous or last pay periods. If you can see that you have more funds in an early pay period [beginning of the month] than a later pay period, you can carry the funds throughout the week to meet the next expenses.
9. Now that you have a layout of all of your monthly expenses you can see what you need to do to make sure that you have the funds available when they are due.

10. Each month consumers spends cash out of pocket. Typically this is their miscellaneous expense category. This may be a small amount such as \$20.00 a week all the way up to \$100.00 a week. For this category it is recommended that a person keep track of all of their “miscellaneous” expenses. When purchases are made, keep a receipt or write it down. \$5.00 for coffee and a bagel on the way to work doesn’t seem like much on a daily basis, but monthly that’s \$150.00 on coffee. So keep an eye on where the miscellaneous funds are going, they may not seem worth it in the long run.

With all of this information compiled you can see where your income is being applied. At this point many consumers will see that they don’t have a plan for savings. Most of America lives paycheck to paycheck with no money for a rainy day, or an emergency. At this point ask yourself, if I suddenly needed a large sum of money for medical purposes, where would I get the money? If you don’t know, than you’re in the same situation as a lot of people. This is why savings is so important, even if it’s a little at a time. If you have a set amount towards savings each month, you can see how long it will take to accumulate. If you think that the savings will increase too slowly you can reduce your miscellaneous expenses to compensate for an increase in savings or any other adjustments. The key to savings is to treat it like any other bill payment. Once you take the money from your income and put it in the account, that money is gone, just like the rent check! Pretend that it isn’t even there and live off of your budgeted living expenses. If you have budgeted properly, this will work out to your advantage and meet your long-term goals.

Stay On Course

Tips For Maintaining You Budget

1) Know Where Your Excess is.

One of the most important factors in managing a budget is to know where your extra money is. After creating your budget of expenses vs. income take an unbiased look at it and see how much is left over each month. Of that amount most consumers will want to put at least half of that towards their savings and the other half towards their costs of living. In most cases the cost of living category ends up being the miscellaneous expense category, which is fine, as long as there is a savings plan.

When you objectively look at your budget you can see that you may have allowed more for a particular expense than it actually costs. Those funds should be kept as a rolling balance in your account. Just make note that there is X amount of excess to be applied where needed. Every once in a while a bill will run over what was budgeted for it and you will have the extra funds available for it.

Also keep an eye on what expenses can be reduced if it’s necessary. Food out, dry cleaning, hobbies or any entertainment items can be increased at first to allow for a certain standard of living, but can also be reduced for things like a dentist appointment or doctors visits if they come up unexpectedly.

2) Budget For Special Events

A lot of consumers find themselves running into this situation. A holiday weekend is a few days away and they would like to go out of town but their regular weekend funds aren’t enough. This can apply to anything that may come up that’s not a necessity but you’d really like to do it.

Christmas is a great example. The average consumer starts their Christmas shopping in November to allow them more pay periods for shopping for the perfect gift. Whether they realize it or not, they’re inadvertently budgeting ahead. The same concept works for things like the fourth of July, New Years or any other event that you’ll want more money than your regular weekly discretionary income. If you want to have a weekend trip, start planning financially a few weeks ahead. Most people would trade their small entertainment budget for a few weeks for a large budget over a long weekend.

The same applies with major purchases. If you know that your washer and dryer aren't going to last another year in January, put a column in your budget for appliance replacement and try to put a little away each week in for it. When the dryer gives out, replace it and keep saving knowing you'd like a new washer to go with it. Most of the time when a consumer suffers from a financial setback, it's because something came up was unexpected and outside of their financial plans. Expect the unexpected, hope for the best and plan for the worst. This philosophy will keep you in the game if you're thrown a curve ball.

3) Manage Credit Spending.

With a proper budget you can see what you have for income and what you have for expenses. If you know that your income will not change in the near future and you are unhappy with your present discretionary income, a lot of consumers will turn to credit purchases. The ones we can all relate to are credit card purchases. Credit cards allow for instant gratification and instant relief. After completing an honest assessment of their debt to income many consumers are not satisfied with what they have left to live on. This is after all the bills are paid, money is saved and they look at what their weekly/monthly discretionary income is. If a consumer is used to having \$100.00 per week to spend as they please, they may not take it too well when that is cut in half due to adding savings, car repairs or their new internet access into their budget. At this point many consumers will turn to credit cards to maintain their accustomed lifestyles. This can be detrimental to a consumer who is already on a tight budget. What typically ends up happening is the credit card payments increase due to added spending and the balances are increasing putting them further in debt, eventually they run into having no discretionary income, everything that would be discretionary, now needs to be applied to credit card bills. They've spent ahead rather budget ahead.

4) Eliminate Existing Debt

For consumers that have completed their budget knowing that they have a lot to try to pay off their primary focus is to try to eliminate the debt that they have and they are willing to compromise certain areas to do so. For consumers that complete a budget without this in mind but find themselves in the same situation, they should budget accordingly. A consumer should look objectively at what their outstanding debt is and how long it will take to pay it full. Only the individual can determine how much is too much, or how long they are willing to wait for financial independence.

When you have your monthly budget set up so that all of your payments to lending institutions are being made in full and on time each month, with your regular living expenses set aside, leave it that way. Keep your budgeted amount going to credit cards and other revolving accounts the same each month, without any fluctuation. You will take years off the time it will take to pay them in full, and save thousands of dollars. Here's an example that can be applied to one account, or your entire debt load: An account with a balance of \$5,000.00 and a 15% interest rate at the lenders minimum payment each month (estimated \$100.00) it would take 23 yrs 9 mo to pay in full at a total amount paid back of \$11,868.00 If you were to make a fixed payment on the account (whatever your current budgeted payment was) it would only take 6 yrs 6 mo with a total paid out of only \$7,731.00 That's 6 times faster and savings of \$4,000.00 or 35%. All of this is contingent upon no further debt being accrued on the account. If you made the minimum payments and kept using the card, you'd literally never pay it off. Look at your goals objectively, that is the only way to stay on course.

Compliments of
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Category	Due Date	Monthly Budget	Monthly Actual	Difference
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Income

Monthly pay (After Taxes)				\$ -
Alimony / Child Support				\$ -
Rental Income				\$ -
Self Employment				\$ -
Social Security				\$ -
Pension				\$ -
Bonus / Commission				\$ -
Other				\$ -
TOTAL MONTHLY INCOME		-	-	\$ -

Expenses: Housing

Mortgage (P&I) / Rent				\$ -
Real Estate Taxes				\$ -
Homeowners Insurance				\$ -
Association Dues				\$ -
Mortgage Insurance				\$ -
TOTAL HOUSING EXPENSES		-	-	\$ -

Expenses: Utilities

Electric				\$ -
Gas / Heating Oil				\$ -
Water / Sewage				\$ -
Telephone				\$ -
Trash Collection				\$ -
Cable / Satellite TV				\$ -
Internet Service				\$ -
Cell Phone				\$ -
TOTAL UTILITIES EXPENSES		-	-	\$ -

Expenses: Health / Medical

* Expenses that you can budget for to have money saved for unplanned or annual bills

Medical Insurance				\$ -
Dental Insurance				\$ -
Doctor / Lab Visits*				\$ -
Dentist*				\$ -
Oththodontist*				\$ -
Therapist*				\$ -
Eyeglasses*				\$ -
Hospital / Emergency*				\$ -
Medicines*				\$ -
Other				\$ -
TOTAL HEALTH EXPENSES		-	-	\$ -

Expenses: Transportation

* Expenses that you can budget for to have money saved for unplanned or annual bills

Car Payment 1				\$ -
Car Payment 2				\$ -
Car Maintenance / Repair*				\$ -
Mass Transit Costs (Bus / Subway)				\$ -
Gas				\$ -
Parking / Tolls				\$ -
Tags*				\$ -
TOTAL TRANSPORTATION EXPENSE		-	-	\$ -

Category	Due Date	Monthly Budget	Monthly Actual	Difference
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Expenses: C Cards, Loans / Other

Credit Card 1				\$ -
Credit Card 2				\$ -
Credit Card 3				\$ -
Credit Card 4				\$ -
Credit Card 5				\$ -
Credit Card 6				\$ -
Credit Card 7				\$ -
Credit Card 8				\$ -
Credit Card 9				\$ -
Credit Card 10				\$ -
Student Loan 1				\$ -
Student Loan 2				\$ -
Student Loan 3				\$ -
Student Loan 4				\$ -
Legal Fees				\$ -
Alimony or Child Support Payment				\$ -
TOTAL CREDIT CARD AND OTHER		-	-	\$ -

Expenses: Food and Entertainment

Groceries				\$ -
Dining Out and Take Out				\$ -
Entertainment (movies, bowling, etc)				\$ -
Hobbies				\$ -
TOTAL FOOD AND ENTERTAINMENT		-	-	\$ -

Expenses: Children

Child Care				\$ -
School Tuition				\$ -
Lunch Money				\$ -
School Supplies				\$ -
Lessons (Music, etc.) / Sports				\$ -
New Clothes				\$ -
Personal Grooming				\$ -
Allowances				\$ -
Other				\$ -
TOTAL CHILDREN EXPENSES		-	-	\$ -

Expenses: Personal

Dry Cleaning / Laundry				\$ -
Personal Grooming (Hair, Nails, Skin)				\$ -
New Clothing				\$ -
TOTAL PERSONAL EXPENSES		-	-	\$ -

Expenses: Savings/Large Expenses

Personal Savings				\$ -
Gifts (Holiday, birthday)				\$ -
House maintenance and repairs				\$ -
Furniture				\$ -
Church / Charity				\$ -
Vacation				\$ -
TOTAL SAVINGS/LARGE EXPENSES		-	-	\$ -

Total Monthly Income		-	-	\$ -
Total Monthly Expense		-	-	\$ -
Difference		-	-	\$ -