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TODAYS TOPIC

What is Budget?

A budget is a quantitative plan for acquiring and using resources over a specified period.



Step-by-Step Guide on How to Make a Budget



What is a Budget?

budg·et

['bɛdʒət]

NOUN

- an estimate of income and expenditure for a set period of time:
"keep within the household budget" · "a budget deficit"

VERB

- allow or provide a particular amount of money in a budget:
"the university is budgeting for a deficit" · "corporate planning and budgeting"

ADJECTIVE

- inexpensive
"a budget guitar"

What is a Budget?

1. Budget Definition: What Is a Budget? - NerdWallet

<https://www.nerdwallet.com/article/finance/what-is-a-budget>

- Feb 1, 2019 · A **budget** is a spending plan based on income and expenses. In other words, it's an estimate of how much money you'll make and spend ...in a given time frame.

- Budgets are an integral part of running any business efficiently and effectively. The process begins by establishing assumptions for the upcoming budget period. These assumptions are related to projected sales trends, cost trends, and the overall economic outlook of the market, industry, or sector. Specific factors affecting potential expenses are addressed.
- The budget is published in a packet that outlines the standards and procedures used to develop ...all aspects. The sales budget is often the first to be developed, as subsequent expense budgets cannot be established without knowing future cash flows. Budgets are developed for all the different subsidiaries, divisions, and departments within an organization. For a manufacturer, a separate ...one is devised for the entire company.

What is a Budget?

- **2. Budget: Definition and Types | Indeed.com**

<https://www.indeed.com/career-advice/career-development/what-is-budget>

- Jul 21, 2022 · A budget is a **financial or spending plan based on your income or revenue**. It estimates the amount of money you'll spend based on how much you make in a given time period...

EXPLORE FURTHER

- **7 TYPES OF BUDGETS:
DETAIL EXPLANATION -
CFA Journal**

<https://www.cfajournal.org/types-budgets/>

- **Types of Budget | Master,
Operating, Financial Budget &
More**

<https://efinancemanagement.com/budgeting/types-of-budget>

Why a Budget?

- A budget is **a plan for every dollar you have.**
- It's not magic, but it represents more financial freedom and a life with much less stress.

Understanding Your Budget

Making a budget and sticking to it is one of the best ways to understand where your money goes every month – and what changes you could make to help you reach our financial goals. When making a budget, the goal is to avoid spending more than you earn. That sounds simple enough, but actual budgeting can get complicated fast. There are several approaches to making a budget, and the right way to do it depends on your priorities, preferences and goals.

Follow these steps when making a budget to ensure that it fits your lifestyle and financial goals.

How to set up and manage your budget:

Calculate your monthly income, pick a budgeting method and monitor your progress. Try the 50/30/20 rule as a simple budgeting framework.

What are the five purposes of budgeting?

- A budget can also set you on the right path to **achieving your financial goals, spending within your means, saving for retirement, building an emergency fund, and analyzing your spending habits.**

Budget Tools

1. Determine Your Income
2. Calculate Your Monthly Expenses
3. Set Realistic Goals
4. Track Your Spending
5. Pick a Budgeting Plan
 - A. How to Stick to Your Budget
 - B. Above All Things, Remember Your Goals

Getting Ready: Track your spending habits

- There are several ways to track your spending. You could create a budget spreadsheet by hand or use Google Sheets or Excel.
- If spreadsheets aren't your thing, you can use one of the best budgeting apps to track your actual spending.

Some of the best budgeting apps include Mint, Personal Capital, PocketGuard, You Need a Budget (YNAB), Wally, Goodbudget, Spendee, Honeydue, Mvelopes, Clarity Money, and EveryDollar

<https://quickbooks.intuit.com>

How to Stick to Your Budget

Creating a budget may be the easiest part of budgeting. Keeping track of and limiting your expense month after month so you can stick to your budget is usually the hard part. Here are some tips for staying with a budget:

- **Be realistic:** As mentioned before, setting realistic goals is crucial because it helps you avoid falling short. This is especially important when you're starting out and need all the motivation you can get.
- **Plan ahead:** It's almost a guarantee that life won't go as you planned, so it's important to keep an emergency savings just in case. Also, keep in mind that some recurring charges don't happen every month. If you have any expenses that occur quarterly or annually – think car expenses and holiday shopping – make sure to plan for those.
- **Use credit cards responsibly:** You don't have to use credit cards if you don't want to. If you do, though, it's critical that you use your credit cards responsibly. This includes tracking your expenses, so you stay within your budget. Keep your balances low and pay them off in full each month to avoid late payments and an accumulation of debt.

Budget Examples

MONTHLY BUDGET

Month: _____

Starting Checking Balance: _____

Income: _____

Bills:

Rent/Mortgage: _____

Grocery: _____

Health Insurance: _____

Car Insurance: _____

Car Payments: _____

Electric: _____

Gas For House: _____

Gas For Cars: _____

Phone: _____

TV: _____

Internet: _____

Water: _____

Credit Card: _____

Extra Spending:

Expense: _____

Expense: _____

Expense: _____

Savings:

Starting Balance: _____

Deposit: _____

Deposit: _____

Extra Income: _____

Total Checking Balance: _____

Goals For Next Month: _____

FAMILY BUDGET TEMPLATE

TRY  for FREE

| | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEPT | OCT | NOV | DEC |
|---|--------------------|------|------|------|------|------|------|------|------|------|------|-------------|
| Starting Balance <small>(Balance of Account)</small> | \$ 1,200.00 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Income | \$ 7,257.00 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Expenses | \$ 5,359.00 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| NET Income | \$ 1,898.00 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Projected End Balance | \$ 3,098.00 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| INCOME | | | | | | | | | | | | |
| Salary/Wages | \$ 5,987.00 | | | | | | | | | | | \$ 5,987.00 |
| Interest Income | \$ 200.00 | | | | | | | | | | | \$ 200.00 |
| Dividends | \$ 100.00 | | | | | | | | | | | \$ 100.00 |
| Refunds/Reimbursements | \$ 55.00 | | | | | | | | | | | \$ 55.00 |
| Business | \$ 500.00 | | | | | | | | | | | \$ 500.00 |
| Pension | \$ 300.00 | | | | | | | | | | | \$ 300.00 |
| Misc. | \$ 115.00 | | | | | | | | | | | \$ 115.00 |
| TOTAL | \$ 7,257.00 | | | | | | | | | | | |
| SAVINGS | | | | | | | | | | | | |
| Emergency Fund | \$ 500.00 | | | | | | | | | | | \$ 500.00 |
| Transfer to Savings | \$ 200.00 | | | | | | | | | | | \$ 200.00 |
| Retirement(401K, IRA) | \$ 100.00 | | | | | | | | | | | \$ 100.00 |
| Investments | \$ 55.00 | | | | | | | | | | | \$ 55.00 |
| Education | \$ 500.00 | | | | | | | | | | | \$ 500.00 |
| Other | \$ 300.00 | | | | | | | | | | | \$ 300.00 |
| TOTAL | \$ 1,655.00 | | | | | | | | | | | |
| EXPENSES | | | | | | | | | | | | |
| HOME | | | | | | | | | | | | |
| Mortgage/Rent | \$ 2,250.00 | | | | | | | | | | | \$ 2,250.00 |
| Home/Rental Insurance | \$ 25.00 | | | | | | | | | | | \$ 25.00 |
| Electricity | \$ 40.00 | | | | | | | | | | | \$ 40.00 |
| Gas/Oil | \$ 44.00 | | | | | | | | | | | \$ 44.00 |
| Water/Sewer/Trash | \$ 20.00 | | | | | | | | | | | \$ 20.00 |
| Phone | \$ 15.00 | | | | | | | | | | | \$ 15.00 |
| Cable/Satellite | | | | | | | | | | | | \$ - |
| Internet | \$ 29.00 | | | | | | | | | | | \$ 29.00 |
| Furnishing/Appliances | | | | | | | | | | | | \$ - |
| Lawn/Garden | | | | | | | | | | | | \$ - |
| Maintenance/Improvements | | | | | | | | | | | | \$ - |
| Other | | | | | | | | | | | | \$ - |

Planning a Household budget

- Anyone who wants to get started with the household budget will likely ask the question, what should be considered when planning a household budget?
- Budgeting is not something most people find easy to do. It is one of those things that is very simple but not easy.
- There are a lot of things that need to be put into consideration when planning a household budget.
- Budgeting is a very important part of money management for a healthy financial life.
- Just the way a country or an organization plan their expenditure and income, it is also important at household or individual level to plan your finances
- I must admit that I do not budget our household money to the pence's. The two most important elements in budgeting are expenses and income. Both of these are very important.

• Posted By: abundanceaware

Items to consider

- Income
- Expenses
- Mortgage or Rent
- Food/ Groceries and Eating Out
- Emergency Fund and Unforeseen Expenses
- Car Expenses
- Entertainment and Subscriptions
- Birthdays
- Holiday Gifts
- Charitable contributions
- Memberships
- Other costs
- Prescriptions
- Work Wardrobe/ Upkeep
- Guests
- Travel Expenses
- Pet Care
- Dentists
- Savings and Investments

Income

- Most people don't think about income when they are considering budgeting.
- The idea behind budgeting is to know where your money goes. As important as it is to know what you will spend your money on, it is also very pertinent to know where the money you will spend will come from.
- Regardless of the number of income stream you have, part of your budgeting should include your source of income.
- Perhaps the amount of money you earn is not enough to fund your lifestyle.
- Budgeting will help you to be able to see the clear picture and that will encourage you to think about increasing your income.
- The major thing here to consider is how much do you earn and what is the frequency in terms of weekly, bi-weekly, monthly etc.

Income

- Depending on if you are an individual or couple. If you are a couple do you combine your income or do you separately contribute to a pot to meet your household expenses?
- Are there other sources of income like side hustle, child support, overtime or investment earnings.

- It's important to be careful with overtime pay in budgeting. This is because it's not a fixed income and can vary.

How Creating a Budget Can Help Your Credit

As you work to create and maintain a budget, you may start to see some improvements with your credit score. Budgeting can have a positive impact on your credit history for a few reasons:

- It can help you pay down existing debt more quickly
- It can help you avoid high balances and keep your credit utilization low
- It can help ensure you always have enough cash to make your debt payments on time
- It can allow you to save more money and avoid unnecessary debt

Because every financial situation is different, there's no way to definitively say how budgeting will help improve your credit. As your overall financial situation improves, it's possible you'll see a better credit history evolve.

Income

1. Determine Your Income

- This first step is easy if your pay doesn't change much from month to month
- If you get paid monthly, that's your number
- If you're paid every other week, multiply your net pay by two
- Depending on your pay schedule, there may be some months where your paydays line up, so you earn an extra check within the same month
- If that is the case it is a good idea to budget for the norm, whether that's two or four paychecks a month, you can always make adjustments during those months when you receive an extra one
- If your wages fluctuate, consider taking the past three to six months and averaging what you earned during that time
- Focus on your take-home pay instead of your gross income because that's the amount that winds up in your bank account

2. Calculate Your Monthly Expenses

- Once you understand your income, you'll want to similarly run the numbers for your expenses
- Start by looking at your bank and credit card statements over the past three to six months to get an idea of what you typically spend each month
- Then break those expenses into categories such as necessities vs discretionary spending
- Create as many or as few categories as you like (such as rent, utilities and insurance)
- With discretionary spending, it may be better to break down your categories more fully
- Eating out and entertainment don't always go together, so you may want to calculate each amount individually
- The more comprehensive your expense categories are, the easier it will be to understand where your money is going and how to manage it better
- Monthly expenses can vary drastically from month to month, which complicates things
- To better stay on track, it's important to plan ahead for big or annual expenses as much as you can, including for things like car registration renewal, tax bills and home maintenance

Expenses

- How much you spend on various essentials and non-essentials is what form your expenses. The essential needs of every human are food and shelter.
- No one wants to go about naked so clothing is also essential.
- As we now live in the modern world, everyone will agree that if you live in a city or town, you possibly need transportation to move from point A to point B.
- There are a whole lot of other things that we need because of modernization. One of those needs is the telecommunication which can include a mobile phone with internet.
- The list of our expenses can grow very quickly if we are not careful.
- I think the most important thing here is to separate your need from wants.
- Most people in the developed world have enough to meet their needs but want is the major problem many people battle with.
- Below are the important expenses you need to consider in your budget planning.

Mortgage or Rent

- Everyone needs a roof over their head.
- This is one of the absolute essentials that anyone will pay for and a large percentage of the population income goes towards paying for accommodation.

Food/Groceries & Eating out

- One of the essentials we cannot all do without as human is food.
- When budgeting you have to consider how much you want to dedicate for your groceries shopping.
- Food is one of the items on our budget we spend the most money on. Apart from accommodation, food is perhaps taking the second largest percentage of our income.
- I know eating out is expensive but it will not cause any harm to anyone's budget if it is done in moderation.

Emergency Fund and Unforeseen Expenses

- Life can happen to anyone at any time.
- This is the reason why it is important to budget for unforeseen expenses. This is what is generally regarded as an emergency fund..

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Car Expenses

- The cost of running a car can really add up
- This figure does not include the cost of financing for people who bought their car through car loan or financing payment.
- The cost of maintaining a car is something you do not want to miss out in your budget.
- Obvious you have to put fuel in the car for it to run except if your car is electric. Even for electric cars, charging it will still cost some money but might not be as expensive as gas or diesel engine car.
- Some people pay to park in their workplace. And most of us do have those times when we find ourself in a place where there is no free parking.
- You need to budget for parking cost as part of the cost for running your car.

Entertainment and Subscriptions

- We human being can survive without entertainment.
- However, we are no longer living in the cave, we have evolved as a species and we are now in the 21st century.
- Majority of us need to entertain ourselves.
- Whether going to the cinema, festivals, live sport etc. All these will cost money and it is important to consider these costs in your budget.
- Perhaps you like to spend money intentionally and be wise with money.
- This does not mean that you cannot have times when you can put your feet-up and enjoy a nice documentary or movie on Netflix.
- We have Netflix subscription in my house, the kids love it because they do watch a lot of educational programmers on it. I am not a fan of movies but I enjoy good documentaries on Netflix.
- There are other ones like Now TV and Amazon Prime Subscription for their TV and Video.
- Some people do have gym membership or magazines they subscribed to. Remember to include the cost of these subscriptions in your household budget.

Birthdays

- We all have a lot of loved ones in our life. Most of these people play important roles in our life.
- It could be your wife, husband, partner, brother, sister, friend. The list is endless.
- Throughout the year, you will give gifts without taking notice because these birthdays come at various times of the year.
- Majority of us don't include these costs in our budget.
- It is important you consider this in your budget because these small costs can quickly add up.
- If you have children, the cost can be higher because your children will have their friends from school invite them to a birthday party, when they go for these birthdays they have to go with a gift.

Holiday Gifts

- The busiest time of the year is the holiday period which is mainly known for Christmas.
- I love Christmas time because of its significance in terms of celebrating the birth of Jesus. However, Christmas has been commercialized over the years which makes it very expensive for many households.
- The holiday period is the period where you have to watch your spending.
- The best way to not overspend during the holiday period is to have a strict budget beforehand for the maximum you will not go over.
- By considering holiday gifts in your household budget, you will be avoiding digging a hole in your finance which you will be running around to fill after the holiday and Christmas is gone.

Charitable Contributions

- A big part of my philosophy of life is generosity.
- There are people in life which through no fault of their own can not provide for their daily essential needs.
- Such people need help and I believe anyone who has a job or any form of income is among the most privileged people on earth.
- I count myself privileged to have income.
- Giving to other people in need from my income is something I have done for a number of years. I regularly have generosity and charity as part of my budget.
- I am a Christian and Christianity suggest 10% of one's income.
- I would recommend 10% which is what I also follow but people who are struggling should not think it's compulsory to give 10% to church or charity.
- The most important thing here is that if you have regular income there is a power in the universe that give back to you when you give to people who are less privilege than you.
- Our church does use this money wisely to run the church and also give to the charities our church support.

Other costs

- **Memberships**

Are you a member of any organization which you pay monthly or annual fees.

It might be an old student association or a professional association. Don't forget to consider any membership cost in your budget.

- **Prescriptions**

Health cost is generally covered with insurance. Don't forget copays and deductions.

However, prescriptions are not free for everyone. If you are on a particular medication, the cost of your regular prescription you get from the pharmacy needs to be considered in your budget.

- **Work Wardrobe and Upkeep**

Most people don't take notice of how much they spend on clothing.

When you are planning your budget it is important you consider how much you will spend on clothes, shoes and other accessories.

- **Guests**

The expenses that come from entertaining guests in your house can add up without you noticing it.

We welcome guests throughout the year. All our guests need to be entertained and looked after.

Taking our guests out to see tourist attractions and important places in our area can cost money. Their time with us can have an impact on our finances.

You might have people who regularly visit you, so you need to consider these expenses in your budget.

Other costs

- **Travel and Holiday Expenses**

Travelling and holiday are not only good for recreation and relaxation. Travelling is very good for experiencing other culture of the world. It is an important element of our budget.

- **Pet Care**

Pets are lovely to have in the house if you can afford the cost and the work involve to look after them. If you have a dog or cat, you might need to take them to a vet and the cost can add up. If you have a pet, consider the cost of their care in your budget.

- **Dentist**

The cost of visiting the dentist is one of those costs that most people don't remember when they are considering items to have in their budget.

- **Savings and Investing**

The future will come for us if we are blessed. It is important to put away and invest for a safe secure one. This is a vital part of your budget.

Budgeting Plans

5. Pick a Budgeting Plan

- Now that you have the basics down, it's time to start thinking about whether you want to use a specific budgeting plan beyond what's already been discussed
- Here are four common budgeting methods to consider
- As you read each, think about how it resonates with your money management style and pick the one that you think will be most effective for you:
 - Envelope System
 - 50/30/20 Plan
 - The Two -Account Plan
 - Zero-Based Budgeting Plan

Envelope System

With this classic approach, you allocate your money for each spending category, then put that amount of cash in an envelope with the name of the category.

When you've spent all your cash from a particular envelope, you're out of money for that given category for the rest of the month- unless you shift money from another envelope. Just keep in mind that not all bills can be paid in cash, so account for that.

Budgeting Plans

50/30/20 Plan

The 50/30/20 budget is all about simplicity. Instead of creating several categories for each type of expense you incur, you allocate 50% of your takehome pay to necessities, such as housing, utilities and car payments; 30% to discretionary spending; and 20% to your financial priorities, including savings and paying down debt.

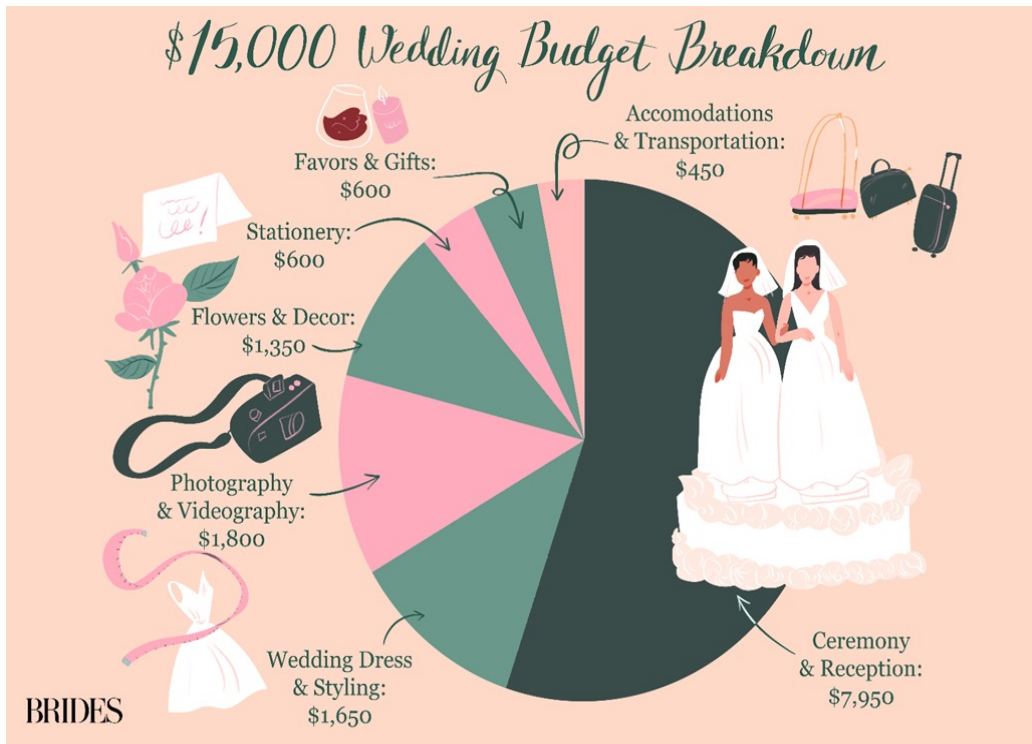
This is a great way to start saving and planning for the future.

Zero-Based Budgeting Plan

With a zero-based budget, the idea is to assign every dollar to something, essentially making your expenses equal your takehome pay. This approach is like the envelope system, but it doesn't require you to use cash for everything.

The zero-based budgeting method requires you to be detail-oriented, and there is less room for error, so it may be best used after you've been budgeting for a while. This level of detail gives you an incredible view of where your money is going but be sure to keep at least a small emergency fund in case your costs go up or you're hit with a large expense.

Budgets for Special Events



Wedding Budget Planner

| | Estimated | Actual |
|-----------------------|-----------|--------|
| Total Expenses | | |

| | Estimated | Actual |
|-----------------------|-----------|--------|
| Apparel | | |
| Rings | | |
| Dress/Tuxedo | | |
| Total | | |
| Decorations | | |
| Ceremony Venue | | |
| Reception Venue | | |
| Total | | |
| Gifts | | |
| Attendants | | |
| Other | | |
| Total | | |
| Flowers | | |
| Bouquets | | |
| Boutonnieres/Corsages | | |
| Ceremony | | |
| Reception | | |
| Other | | |
| Total | | |
| Music | | |
| Music for Ceremony | | |
| Music for Reception | | |
| Other | | |
| Total | | |
| Photography | | |
| Formal Photos | | |
| Videography | | |
| Other | | |
| Total | | |

| | Estimated | Actual |
|--|-----------|--------|
| Reception (excluding music and decorations) | | |
| Room/hall fees | | |
| Tables and chairs | | |
| Food & Drinks | | |
| Linens | | |
| Cake | | |
| Favors | | |
| Staff and gratuities | | |
| Other | | |
| Total | | |
| Stationery / Printing | | |
| Invitations | | |
| Thank-you cards | | |
| Guest book | | |
| Programs | | |
| Total | | |
| Transportation | | |
| Limos | | |
| Parking | | |
| Other | | |
| Total | | |
| Other | | |
| Officiant | | |
| Ceremony site fee | | |
| Wedding Coordinator | | |
| Rehearsal Dinner | | |
| Engagement Party | | |
| Showers | | |
| Salon appointments | | |
| Bachelor/ette parties | | |
| Hotel rooms | | |
| Total | | 30 |

Proposed Budgets ~ Church

- Budget Policies, Process & Timeline
- Overview of All Funds
- General Fund Revenues & Expenditure

Offering Plan

The combined Budget Offering Plan supports all levels of the church by putting total funds collected into one pool. The funds are distributed as follows:

- **60 % Local Church**
- **20% Mission Offering**
- **20% Mission Development**

Local Church Budgeting Process

- November (or earlier), the new Officers for the year have been selected.
 - Each department head is asked to submit their plans and projections for the new year.
 - Finance committee will look at the plans submitted by each department along with historical data from previous years and begin constructing the budget
- Finance Committee
 - Pastor
 - Treasurer
 - Stewardships Secretary
 - First Elder
 - 2 – 3 members

Local Church Budgeting Process

Church Budget

Receipts:

| | |
|-----------------|--|
| Tithe (100%) | 100,000 |
| Ingathering | 12,000 |
| Offering (100%) | 60,000 – recorded as Combined Budget |
| Interest Income | 500 |
| Trust Funds | <u>14,500</u> - AY, Pathfinder, Building etc |
| Total Receipts | 187,000 |

Church Budget

Expenditure:

| | |
|------------------------------|---------------|
| Tithe (100%) - Mission | 100,000 |
| Ingathering (100%) - Mission | 12,000 |
| Combined Budget (40%) | 24,000 |
| Utilities | 12,000 |
| Sabbath School | 10,000 |
| Personal Ministries | 6,000 |
| Youth Department | 3,500 |
| Family Life | 4,000 |
| Bank Charges | 500 |
| Repairs & Maintenance | <u>15,000</u> |
| Total | 187,000 |

Local Church Budgeting Process

- The budget should be presented to the Church Board for Approval
- Once approval has been given by the Church Board, the budget is presented to the Church in Business Meeting for approval.
- No money should be spent without an approved budget.
- A copy of the Budget and Officers list should be sent to the Missions Office.
- A quarterly review of the budget should be done to ensure spending is inline with the budgeted figures and to also see if there is a need for adjustments.

Local Church Budgeting Process

Jesus is soon to come and there is still much to be done.

Managing our church finances well, will place each congregation in position to be able to do more to meet the need of the congregations and ultimately to reach others for Christ.