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Camden, AL

Budget: Personal & Organization

March 25, 2023

Sharing information for your future use today!

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- TODAY'S PRESENTATION
  - Practical example/sample process
  - Personal and Financial/Organizational Budget issues defined
  - Questions

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- Budget: Personal & Organizational
  - Practical example/sample process

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- **What is a Budget:** A budget is a plan you write down to decide how you will spend your money each month.
  - A budget helps you make sure you will have enough money every month. Without a budget, you might run out of money before your next paycheck.
  - A budget shows you:
    - How much money you make
    - How you spend your money

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- **How Do I Start A Budget:** Start a budget by gathering your bills and pay stubs. Think about how you spend money, besides paying your bills. When you have your bills and pay stubs:
  - Write down your expenses. An expense is money you spend
  - Write down how much money you make. This is called income
  - Subtract your expenses from how much money you make
  - If the number is less than zero, you are spending more money than you make. Look for things in your budget you can change. Maybe something you do not need, or a way to spend less.

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- **How Can I Use My Budget:**
  - A budget is something you use every month. A written budget will help you:
    - See where you spend money
    - See where you can save
    - Make a plan for how to spend and save your money
  - Your budget can help you save money for the future.
    - You can make savings one of your expenses.
    - You might find ways to spend less money. Then you can put money into savings every month – maybe into a bank or credit union.

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- **Why should I save money?**
- It is very hard when your expenses go up and your income does not. Here are some reasons to try to save money even when it is not easy.
- **Emergencies** – Saving small amounts of money now might help you later. Everyone has expenses they do not expect.
- **Expensive things** – Sometimes, we have to pay for expensive things – like a car, a trip, or a security deposit on an apartment. You will have more choices if you have money to pay for those expensive things.
- **Your goals** – You might want to pay for college classes. Maybe you need to visit family in another country. You can plan for these goals and save money. Then you might not have to use a credit card or borrow money to pay.

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- **How do I make a budget?**

- **Write down your expenses.** Expenses are what you spend money on. Expenses include:
  - **Bills**: that are the same each month, like rent; that might change each month, like utilities; you pay once or twice a year, like car insurance
  - **Other expenses**, **like**: Food, gas, entertainment, clothes, school supplies, money for family, unplanned expenses, like car repairs or medical bills, credit card bills
  - You might have bills that change every month. Look at what you paid for the same month last year. You might need $200 for your gas bill in January, but $30 in July.
- **Write down how much money you make.** This includes your paychecks and any other money you get, like child support.
- **Subtract your expenses from how much money you make.** This number should be more than zero. If it is less than zero, you are spending more money than you make. Look at your budget to see what you do not need or what you could spend less on.

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- **How do I use my budget?**
  - You can use your budget every month:
    - At the beginning of the month, make a plan for how you will spend your money that month. Write what you think you will earn and spend.
    - Write down what you spend. Try to do this every day.
    - At the end of the month, see if you spent what you planned.
    - Use the information to help you plan the next month's budget.

- ***15 Budget Tips for Your Daily Life:***
  - 1. Budget to zero before the month begins.
  - 2. Do the budget together.
  - 3. Remember that every month is different.
  - 4. Start with the most important categories first.
  - 5. Pay off your debt.
  - 6. Don’t be afraid to trim the budget.
  - 7. Make a schedule (and stick to it).
  - 8. Track your progress.

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- ***15 Budget Tips for Your Daily Life (cont.):***
  - 9. Create a buffer in your budget.
  - 10. Cut up your credit cards.
  - 11. Use cash for certain budget categories that trip you up.
  - 12. Try an online budget tool.
  - 13. Be content and quit the comparisons.
  - 14. Have goals.
  - 15. Give yourself lots of grace.

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- **The 50/30/20 rule: how to budget your money more efficiently**
  - **What is the 50/30/20 rule?**
    - The 50/30/20 rule is an easy budgeting method that can help you to manage your money effectively, simply and sustainably. The basic rule of thumb is to divide your monthly after-tax income into three spending categories: 50% for needs, 30% for wants and 20% for savings or paying off debt.
  - **Where did the 50/30/20 rule come from?**
    - The 50/30/20 rule originates from the 2005 book, "All Your Worth: The Ultimate Lifetime Money Plan," written by current US Senator Elizabeth Warren and her daughter, Amelia Warren Tyagi.

- **The 50/30/20 rule: how to budget your money more efficiently**
  - How to budget your money with the 50/30/20 rule
    - **Spend 50% of your money on needs**
      - Simply put, needs are expenses that you can't avoid—payments for all the essentials that would be difficult to live without.
      - May include: Monthly rent, electricity and gas bills, transportation, insurance(for healthcare, car, or pets, minimum loan repayments, basic groceries

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- **The 50/30/20 rule: how to budget your money more efficiently**
  - How to budget your money with the 50/30/20 rule
    - **Spend 30% of your money on wants**
      - 30% of your after-tax income can be used to cover your wants. Wants are defined as non-essential expenses—things that you choose to spend your money on, although you could live without them if you had to.
      - These may include: Dining out, Clothes shopping, Holidays, Gym membership, Entertainment subscriptions (Netflix, HBO, Amazon Prime), Groceries (other than the essentials)

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- **The 50/30/20 rule: how to budget your money more efficiently**
  - How to budget your money with the 50/30/20 rule
    - **Stash 20% of your money for savings**
      - The remaining 20% can be put towards achieving your savings goals, or paying back any outstanding debts. Although minimum repayments are considered needs, any extra repayments reduce your existing debt and future interest, so they are classified as savings.
      - Consistently putting aside 20% of your pay each month can help you build a better, more durable savings plan. This is true whether your ultimate goal is building an emergency fund, developing a long-term personal financial plan, or even preparing for a down payment on a house.

- **The 50/30/20 rule: a step-by-step guide**
  1. Calculate your after-tax income
     1. If you're a freelancer, your after-tax income will be what you earn in a month, minus your business expenses and the amount you've set aside for taxes.
     2. If you're an employee with a steady paycheck, this will be easier. Take a look at your pay slip to see how much lands in your bank account each month. If your paycheck automatically deducts payments such as health insurance or pension funds, add them back in.
  2. Categorize your spending for the past month
     1. Grab a copy of your bank statement for the past 30 days
     2. Split all your expenses into the three categories: needs, wants and savings.
  3. Evaluate and adjust your spending to match 50/30/20 rule
     1. Now that you can see how much of your money goes towards your needs, wants and savings each month, you can start to adjust your budget to match the 50/30/20 rule. The best way to do this is to assess how much you spend on your wants every month.
     2. It's best to work out which of your wants you can cut back on to stay within 30% of your take-home income. The more you reduce spending on your wants, the more likely it is that you'll be able to hit your 20% savings target.

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- **What is a Financial Budget for Organization?**
  - Budgeting Report
    - Building a budget report is a great way to make accurate and informed financial decisions for a company. When you create budget projections, you're typically creating financial goals for the company to meet. Once you hit a certain accounting period, you can use a financial report to compare these milestones with the results to determine the success of the previous period.
    - The purpose of budgeting reports are to understand how close the estimated budget was to the actual financial numbers during a certain accounting period, which could be a month, quarter or year. When accounting employees receive the financial report, they'll compare these results with the budget report they prepared before the start of the specific accounting period.

- **Benefits of creating a Financial Budget**
  - Increase profits
  - Make timely payments
  - Prepare for tax season
  - Reduce debt
- **Steps to create a Financial Budget**
  - Determine the organization's goals
  - Calculate the organization's average growth rate
  - Forecast sales
  - Calculate expenses
  - Divide your budget into expense categories
  - Calculate projected expenses

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Questions?

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- Suggested Sources of Information
  - https://consumer.gov/managing-your-money/making-budget#what-to-do
  - https://www.indeed.com/career-advice/career-development/what-is-financial-budget
  - https://www.ramseysolutions.com/budgeting/the-truth-about-budgeting
  - https://online.hbs.edu/blog/post/how-to-prepare-a-budget-for-an-organization
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