

Action Plan: Budgeting

I have created a realistic budget that works for me.

Now that you've established your goals and gained a clear understanding of your net worth, you can combine that information into action with one of the most important building blocks for improving your financial situation: your budget.

WORKSHEET 3: BUDGETING

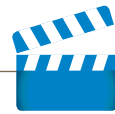
To start, enter all of your incoming cash on an average monthly basis. This will give you a good idea of what you have to work with, financially, as you begin to build your budget.

INCOME	
Income (after taxes)	Monthly total
Wages/salary/bonus	
Government benefits (Social Security, food assistance, etc.)	
Child support/alimony	
Interest income	
Support from family or friends	
Other:	
Other:	
Total Income	

Now it's time to calculate your expenses. Read through each of the expenses listed and write down a reasonable monthly estimate for all the expenses that apply to your situation.

Next, take a moment to think about whether the expense is a "must-have" or a "nice-to-have." Mark a "W" in the Want or Need column if you consider the expense to be a Want and mark an "N" if it's a need.

Think back to what you learned from "Balancing Betsy's Budget" on page 12 as you are completing your budget. Remember, you can always ask for help from your Money Mentor or another support person if you need it.



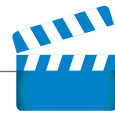
MONTHLY EXPENSES

Expense	Current Estimate	Want or Need?
HOUSING AND UTILITIES		
Rent/mortgage		
Utilities (gas/oil, electric, water, etc.)		
Home maintenance		
Phone (cell phone, family plan, etc.)		
Cable/satellite television service		
Internet		
Other:		
Subtotals:		
LOANS AND CREDIT CARDS		
Credit card payments		
Personal loan payments		
Student loan payments		
Other:		
Subtotals:		
SAVINGS AND INVESTING		
Emergency savings		
College/education savings		
Retirement (IRA, Roth IRA)		
Other:		
Subtotals:		
TRANSPORTATION		
Auto loan payments		
Auto insurance		
Gas and maintenance		
Public transportation		
Other:		
Other:		
Subtotals:		

(Continued on next page.)

MONTHLY EXPENSES (Continued)

Expense	Current Estimate	Want or Need?
FAMILY AND PETS		
Childcare		
Child support		
Allowances		
Tuition and fees		
Textbooks and supplies		
Pet food and supplies, veterinarian		
Other:		
Other:		
Subtotals:		
HEALTH AND GROOMING		
Health insurance (monthly)		
Medical visits, co-pays		
Prescription medication		
Other medical bills		
Gym/health club		
Grooming (hair, nails, etc.)		
Other:		
Other:		
Subtotals:		
FOOD, CLOTHING, AND ENTERTAINMENT		
Groceries and household items		
Eating out (all meals, snacks)		
Tobacco/alcohol		
Clothing, shoes, and accessories		
Movies, concerts, other events		
CDs, DVDs, other home entertainment		
Newspapers, magazines, books		
Clubs, sports, hobbies		
Other:		
Other:		
Subtotals:		



MONTHLY EXPENSES (Continued)

Expense	Current Estimate	Want or Need?
NON-MONTHLY EXPENSES <i>(Divide by payment period—12 months, 4 months, etc.—to get monthly average)</i>		
Income taxes not deducted from payroll (federal and state)		
Homeowner’s insurance		
Property taxes		
Other:		
Other:		
Subtotals:		
MISCELLANEOUS		
Travel and vacation		
Gifts (family, friends, etc.)		
Growth and enrichment (adult education classes, workshops, seminars, etc.)		
Donations (church, other charities, etc.)		
Other:		
Other:		
Other:		
Subtotals:		
Total Expenses:		

Net Income

Now that you have an estimated budget, you can get a more realistic idea of your monthly income and expenses. To figure out your net income, simply subtract your monthly expenses from your monthly income.

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Monthly income	Monthly expenses
	Net income

If your monthly NEEDS exceed your monthly income, you may need to look for ways to supplement your income with part-time work or otherwise generate additional resources. For some helpful tips, see the “Increasing Income” section on page 59. In the meantime, take a moment to write down a few ideas for how to balance your income and expenses.

Balancing Your Budget

Action Steps:

What will you do?

When will you do it?

Consider using this information to inform the action steps you will take on your Road Map.

One way to increase your net income is to reduce unnecessary expenses. Look again at the WANTS and NEEDS you've identified in your budget. Use the table below to list any areas where you could adjust your budget to free up more money to meet your needs and goals while increasing your net worth in the process.

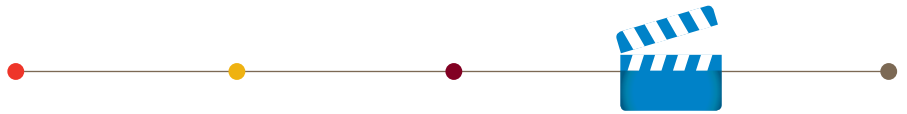
ADJUSTING YOUR BUDGET "WANTS"

Expense	Current cost	Possible savings
Subtotals:		

Consider using this information to inform the action steps you will take on your Road Map.

Exercise: Budget Diary

Another way to get a detailed picture of how you spend your money in a given week is to complete a Budget Diary to better understand what your day-to-day expenses are, help you identify areas where you can spend more wisely, and allow you to establish a realistic and attainable budget.



Instructions: Carry a small notepad with you and write down everything you spend during the upcoming week. If you like, you can find an electronic worksheet to help you do this on the program website at aarp.org/finances50plus. This information is for you alone, so be as truthful and detailed as you can. After the week is over, take a few minutes to reflect on the experience using the following questions as a guide:

What I found surprising or interesting about this exercise:

What I learned about how I spend money:

Areas where I can save money by spending more wisely:

Ways I can improve my spending habits:

Things I did during this exercise that will help me stick to a budget in the future:
