

## Personal Finance Budgeting, part 1

Based on *The Family Budget* by Larry Burkett, 1993

### A.) The Background

What is a budget?

A Plan that brings finances under control & relieves worry, frustration, and anxiety.

The Goal

Living within your means.

Needs

WANTS

desires

What are the obstacles?

- social pressure to own more
- the attitude that "more is better" regardless the cost.
- use of credit to delay necessary decisions

What is the danger point?

necessary decisions

Breaking Even requires a decision:   
 • no surplus available to cope w/ rising costs & unexpected expenses

MAKE MORE OR SPEND LESS.

How should you start?

- 1.) Determine current spending.
- 2.) Establish your budget.
- 3.) Set controls.

Hazards?

- 1.) Discouragement.
- 2.) Legalism
- 3.) Overcommitment.

Who needs a budget?

Everyone ↓

It requires action & discipline to work.

It may require sacrifice.

Start !!

B.) The Preliminaries

Determine your income

List all income (incl. commissions, bonuses, tips, & interest)

Q: What about irregular income?

Net Spendable income

Category 1: Taxes

Category 2: Charitable gifts Give 1st.

How is your money spent?

Category 3: Housing expenses Even if out over 12 mo, Remember maintenance.

Category 4: Food

Category 5: Auto remember insurance & maintenance

Category 6: Insurance health, life, & disability

Category 7: Debts not housing or auto all monthly payments but housing & auto

Category 8: Entertainment and Recreation vacation, eating out, activities.

Category 9: Clothing average over a year

Category 10: Savings everyone should save

Category 11: Medical Expenses bills, insurance, etc.

Category 12: Miscellaneous incl. gifts

Category 13: School/Child care if this applies

Category 14: Investments If debt free, let your \$ work for you.

Unallocated surplus income

Category 15: record all income.

Income versus expenses (Figure 2.1)

go thru the example.

## SHORT RANGE PLANNING

### C.) Cautions and warnings:

1.) Be careful of book keeping errors.

- a.) Use carbon checks.
- b.) Account for all checks.
- c.) One book keeper only.
- d.) Balance every month.

2.) Hidden debts. *Be Honest,*

3.) Impulse buying. *A Big Problem*

4.) Gifts. *Important - Plan to be generous.*

### D.) The guideline budget.

*family of two  
high cost*