

BUDGET SIMPLICITY

It has been said that if you fail to plan, you plan to fail. In the area of finance, this could not be more true.

Here are some of the ways you will benefit from using a budget:

A budget will give you a realistic view of your current financial status. It eliminates the guesswork about what is coming in and what is going out, and it alleviates fear of the unknown. You will know what you have to work with so you can make informed financial decisions.

Your budget will help you organize your financial information and stay on top of your bills. And since this information is on paper, you will be able to see at a glance what needs to be paid and when.

Your budget can also help you define and achieve your financial goals. People are generally more committed to something they have put in writing because it means they have envisioned their goal. Because you have taken the time to clearly define your goals, you will be more likely to accomplish them.

With Budget Simplicity you can look forward to all of these benefits and more!

Through Budget Simplicity you will:

- explore Biblical principles about money
- learn how to set up and maintain your easy-to-use budget
- find out the simplest way to track your spending
- review tips that will help make your budget work
- learn how to reduce your expenses and increase your income

NOTE: If you are married, work with your spouse to create this form. Even if only one of you normally handles the finances, setting up a budget is not just about record-keeping but also about financial decision-making and mutual involvement is important for making a budget work.

Congratulations! You're just steps away from experiencing Budget Simplicity!

Before You Begin...

MONEY – A BIBLICAL PERSPECTIVE

We make financial decisions almost every day. Will we buy it or not? Will we pay cash or use our credit card? Will we pack our lunch or spend money going out to eat? Will we use our overtime pay toward debts or to buy that new dress? Will we give to that good cause? Will we take that promotion at work with more responsibility but a higher salary?

Setting up a budget will similarly require making many financial decisions. Our decisions are based primarily on our core beliefs about money. But how are our financial views formed in the first place? Our opinions and attitudes about money may have been learned from our parents or other people we know – which can be helpful in some cases, but not always. Society can also influence our views, especially through marketing. But, we must wonder – are marketers really looking out for our best interest, or is their objective to sell us something even if we don't need it?

God not only wants what is best for us, he has much wisdom to offer us on the subject of money. Before making budget decisions, let us consider what his Word reveals on this topic.

THE SCRIPTURES ENCOURAGE US TO:

Work diligently and be financially responsible.

- *Lazy hands make a man poor, but diligent hands bring wealth. ~ Proverbs 10:4*
- *Do not love sleep or you will grow poor; stay awake and you will have food to spare. ~ Proverbs 20:13*
- *Make it your ambition to lead a quiet life, to mind your own business and to work with your hands, just as we told you, so that your daily life may win the respect of the outsiders and so that you will not be dependent on anybody. ~ I Thessalonians 4:11-12*
- *Our people must learn to devote themselves to doing what is good, in order that they may provide for daily necessities and not live unproductive lives. ~ Titus 3:14*

God wants us to be productive and financially responsible with the money we earn. Being a diligent worker is one way we can honor God, contribute to society, and at the same time provide for ourselves and our families.

Trust God to meet our needs.

- *So do not worry, saying, 'What shall we eat?' or 'What shall we drink?' or 'What shall we wear?' For the pagans run after all these things, and your heavenly Father knows that you need them. But seek first his kingdom and his righteousness, and all these things will be given to you as well. ~ Matthew 6:31-33*
- *The earth is the Lord's and everything in it, the world, and all who live in it. ~ Psalms 24:1*
- *And my God will meet all your needs according to his glorious riches in Christ Jesus. ~ Philippians 4:19*

We may not get everything we *want*, but by following God's principles we can trust that He will provide what we need.

Live without jealousy.

- *You shall not covet your neighbor's house. You shall not covet your neighbor's wife, or his manservant or maidservant, his ox or donkey, or anything that belongs to your neighbor. ~ Exodus 20:17*
- *Let us not become conceited, provoking and envying each other. ~ Galatians 5:26*
- *Love is patient, love is kind. It does not envy... ~ I Corinthians 13:4a*

When we are secure in our relationship with the Lord, our sense of self-worth is not based on popularity, power, money, or material possessions. Instead of being jealous, we can sincerely rejoice in the accomplishments of others, and when they are blessed financially.

Be content with what we have.

- *Keep your lives free from the love of money and be content with what you have, because God has said, "Never will I leave you; never will I forsake you." ~ Hebrews 13:5*
- *I know what it is to be in need, and I know what it is to have plenty. I have learned the secret of being content in any and every situation, whether well fed or hungry, whether living in plenty or in want. I can do everything through him who gives me strength. ~ Philippians 4:12-13*
- *But godliness with contentment is great gain. ~ I Timothy 6:6*

In our lifetime we are likely to experience both times when making ends meet is a challenge and times when we have more than enough. Through God, we can experience genuine contentment regardless of our financial status.

Give generously, motivated by love.

- *But just as you excel in everything – in faith, in speech, in knowledge, in complete earnestness and in your love for us – see that you also excel in this grace of giving. I am not commanding you, but I want to test the sincerity of your love by comparing it with the earnestness of others. For you know the grace of our Lord Jesus Christ, that though he was rich, yet for your sakes he became poor, so that you through his poverty might become rich. ~ II Corinthians 8:7-9*
- *If anyone has material possessions and sees his brother in need but has no pity on him, how can the love of God be in him? Dear children, let us not love with words or tongue but with actions and in truth. ~ I John 3:17-18*
- *Honor the Lord with your wealth... ~ Proverbs 3:9a*
- *Share with God's people who are in need... ~ Romans 12:13a*
- *Remember this: Whoever sows sparingly will also reap sparingly, and whoever sows generously will also reap generously. ~ II Corinthians 9:6*
- *Give, and it will be given to you. A good measure, pressed down, shaken together and running over, will be poured into your lap. For with the measure you use, it will be measured to you. ~ Luke 6:38*

Generosity is the natural response of a heart that is filled with the love of God. This generosity is expressed in our worshipful giving to the Lord as well as to others who are in need.

As for giving to the Lord, many people practice tithing. The word tithe means "ten percent." Tithing usually implies giving 10% of your income to your place of worship as an offering to God. This was practiced in Israel during the time of the Old Testament. At that time, Israel was considered a theocracy, which means a government ruled by God. Citizens were required to pay

three tithes: 10% to the Levites (Israel's priests), 10% for national holidays and feasts, and 10% was given every third year for a national system of welfare for the poor, widows, and orphans. Freewill offerings and gifts were also given in addition to tithes. Although tithing was practiced in the Old Testament, it is also mentioned in the New Testament. Luke 11:42 tells of Jesus addressing the Pharisees who are faithful in tithing but neglect justice and the love of God. Jesus tells them that they should have practiced justice and the love of God in addition to tithing.

In the New Testament there are also many other references to giving – both giving to God and to those in need. These verses convey a different attitude about giving than that expressed in the Old Testament. Rather than giving what is *required*, the New Testament scriptures describe a heart attitude in which giving is done generously, cheerfully, and freely.

And, when it comes to giving, motive is everything.

- *Each man should give what he has decided in his heart to give, not reluctantly or under compulsion, for God loves a cheerful giver. ~ II Corinthians 9:7*
- *If I give all I possess to the poor and surrender my body to the flames, but have not love, I gain nothing. ~ I Corinthians 13:3*

We miss the point if we give reluctantly, under compulsion, to be noticed by others, or even if our motive in giving is no more than an investment strategy (i.e., we give to cash in on God's promise that He will return our gifts above and beyond what we give). Instead, giving God's way is generous giving, motivated by love.

Keep material possessions in perspective.

- *So we fix our eyes not on what is seen, but on what is unseen. For what is seen is temporary, but what is unseen is eternal. ~ II Corinthians 4:18*
- *Do not love the world or anything in the world. If anyone loves the world, the love of the Father is not in him. For everything in the world – the cravings of sinful man, the lust of his eyes and the boasting of what he has and does – comes not from the Father but from the world. The world and its desires pass away, but the man who does the will of God lives forever. ~ I John 2:15-17*
- *Then he said to them, "Watch out! Be on guard against all kinds of greed; a man's life does not consist in the abundance of his possessions." ~ Luke 12:15*
- *But store up for yourselves treasures in heaven, where moth and rust do not destroy, and where thieves do not break in and steal. For where your treasure is, there your heart will be also. ~ Matthew 6:20-21*

As Jim Elliott, the late missionary, said, "He is no fool who gives what he cannot keep to gain that which he cannot lose."

Don't misunderstand. We live in a physical world and therefore have physical and material needs. God expects us to work to provide for our needs and the needs of our families. These scriptures are not suggesting that we go to extremes. However, they do inspire us to keep our priorities in order and to have an eternal perspective.

Keep wealth in perspective.

- *But remember the LORD your God, for it is he who gives you the ability to produce wealth... ~ Deuteronomy 8:18a*
- *Command those who are rich in this present world not to be arrogant nor to put their hope in wealth, which is so uncertain, but to put their hope in God, who richly provides us with everything for our enjoyment. Command them to do good, to be rich in good deeds, and to be generous and willing to share. In this way they will lay up treasure for themselves as a firm foundation for the coming age, so that they may take hold of the life that is truly life. ~ I Timothy 6:17-19*
- *...From the one who has been entrusted with much, much more will be asked. ~ Luke 12:48b*

Wealth can be inherited. It may also be the result of being a diligent worker and being in a lucrative career. But ultimately God is the source of our wealth. He gives us the ability to make wealth. In the scriptures we see that God used material wealth as one of several ways to bless people. It was not the only way he blessed people or the most important way. In fact, all throughout scripture it is stressed that the eternal (invisible) blessings far outweigh the temporal (visible) blessings. Nevertheless, he does sometimes bless us materially.

The real issue is whether or not it is our desire and pursuit to be in the center of God's will – whatever income level that will place us in. If in the process of living out God's will we receive an extra measure of money, then let us be faithful stewards of that money. Let us realize that this abundance has been entrusted to us by God and seek understanding about how we can honor him with it. Let us pursue God's will in our lives and leave the rest to him.

Enjoy true financial freedom.

- *Keep your lives free from the love of money... ~ Hebrews 13:5a*
- *Whoever loves money never has money enough; whoever loves wealth is never satisfied with his income... ~ Ecclesiastes 5:10a*
- *People who want to get rich fall into temptation and a trap and into many foolish and harmful desires that plunge men into ruin and destruction. For the love of money is a root of all kinds of evil. Some people, eager for money, have wandered from the faith and pierced themselves with many griefs. ~ I Timothy 6:9-10*
- *No one can serve two masters. Either he will hate the one and love the other, or he will be devoted to the one and despise the other. You cannot serve both God and Money. ~ Matthew 6:24*
- *Now the Lord is the Spirit, and where the Spirit of the Lord is, there is freedom. ~ II Corinthians 3:17*
- *So if the Son sets you free, you will be free indeed. ~ John 8:36*
- *It is for freedom that Christ has set us free. Stand firm, then, and do not let yourselves be burdened again by a yoke of slavery. ~ Galatians 5:1*

Few things can have a hold on us like money. Instead of us being in control of our money, when our lives are centered around having money and/or pursuing money, money begins to control us. It can lead us to make unwise and even compromising choices. It affects our relationship with God. It can also affect our other relationships. (Not surprisingly, money is often listed as the number one cause of divorce.) Perhaps it is for these reasons that the Lord has so much to say to us about money. God wants us to enjoy true financial freedom. We, and all of our relationships, will benefit as a result.

FINANCIAL GOALS

Suppose one of you wants to build a tower. Will he not first sit down and estimate the cost to see if he has enough money to complete it? ~ Luke 14:28

NEEDED:

___ Budget form (Use a separate form for each calendar year.)

(See pages 116-118 for an example of a completed Budget form.)

SETTING YOUR FINANCIAL GOALS

How would you answer the question, "What are your financial goals?"

- Pay off credit cards
- Buy a home
- Home improvements
- Increase my giving
- Buy a car
- Have six months reserve in emergency savings
- Save for my children's college education
- Become adequately insured
- Save toward retirement
- Travel

- ❑ Clarifying your financial goals is the first step in achieving them. Begin by completing the "Financial Goals" section of your Budget form based on the following instructions. (Use pencil if you are filling out your form manually.)

Financial Goals

What do you hope to accomplish financially in the next year? In the next five years? What about long term goals? Enter this information under Financial Goals. As you complete the remaining sections of your Budget form, factor in this year's goals as well as any other goals that you wish to begin working toward now. NOTE: For some long term goals, such as college savings or retirement savings, it can be helpful to consult a financial planner for assistance in developing your savings strategy.

EXAMPLE:

FINANCIAL GOALS	
This Year	<i>Pay off credit card debt / Begin an emergency savings</i>
Next Five Years	<i>Buy a new car</i>
Long Term	<i>Pay off mortgage within the next 10 years</i>

INCOME

Lazy hands make a man poor, but diligent hands bring wealth. ~ Proverbs 10:4

NEEDED:

- ___ Budget form
- ___ Income records
- ___ Calendar

SALARY

- ☐ In the "Income" section of your Budget form, list your anticipated *net* salary (your "take home pay"). Use a separate line for each paycheck you receive throughout each month. If you are paid monthly you will use one line. If you are paid twice a month, use two lines. If you are paid weekly or bi-weekly the number of paychecks you will receive each month will fluctuate throughout the year.
 - If you are paid weekly – You will receive four paychecks per month for eight months of the year, and five paychecks a month four months each year. Use five lines.
 - If you are paid bi-weekly (every two weeks) – You will receive two paychecks per month ten months of the year, and three paychecks a month two months of the year. Use three lines.

If your salary is not a set amount (such as being paid by commission or tips) make a realistic estimate of the income you expect. If your income fluctuates throughout the year, plan your budget according to the average amount you expect.

Round off to the nearest dollar amount. Use only whole dollar amounts on the entire form.

OTHER INCOME

- ☐ List any other income you receive, monthly or otherwise, such as:

___ Bonuses	___ Retirement Benefits	___ Alimony
___ Interest	___ Social Security	___ Child Support
___ Dividends	___ Disability	___ Tax Refund
___ Pensions	___ Public Assistance	___ Unemployment Income
___ Gifts	___ Reward Programs	

- ☐ Calculate the monthly totals of your projected income.

(Example on following page.)

EXAMPLE:

I N C O M E												
SOURCE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Salary – Jason (1)	617	617	617	617	617	617	617	617	617	617	617	617
Salary – Jason (2)	617	617	617	617	617	617	617	617	617	617	617	617
Salary – Jason (3)	617	617	617	617	617	617	617	617	617	617	617	617
Salary – Jason (4)	617	617	617	617	617	617	617	617	617	617	617	617
Salary – Jason (5)	617			617			617			617		
Salary – Amy (1)	1080	1080	1080	1080	1080	1080	1080	1080	1080	1080	1080	1080
Salary – Amy (2)	1080	1080	1080	1080	1080	1080	1080	1080	1080	1080	1080	1080
Salary – Amy (3)			1080						1080			
Jason's Bonus												2000
Income Tax Refund			400									
Savings-Interest	100			100			100			100		
TOTALS	5345	4628	6108	5345	4628	4628	5345	4628	5708	5345	4628	6628

GIVING

...It is more blessed to give than to receive. ~ Acts 20:35b

NEEDED: ___ Budget form

This section is for recording your giving: tithes, offerings, charitable contributions, and contributions to other needs and causes.

- ☐ Record your anticipated regular monthly giving in the Giving section of your Budget form.
- ☐ List all special offerings or contributions you make that are not given monthly.
- ☐ Calculate the monthly totals of your projected giving.

EXAMPLE:

GIVING												
DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
<i>Church (Regular Giving)</i>	550	550	550	550	550	550	550	550	550	550	550	550
<i>Food Bank</i>	50	50	50	50	50	50	50	50	50	50	50	50
<i>Church (Missions Offering)</i>				300								500
TOTALS	600	600	600	900	600	600	600	600	600	600	600	1100

SAVINGS

...He who gathers money little by little makes it grow. ~ Proverbs 13:11b

In the house of the wise are stores of choice food and oil... ~ Proverbs 21:20a

NEEDED:

- ___ Budget form
- ___ Records of your savings accounts

Developing the habit of saving monthly toward designated purposes will be of great benefit to you as financial needs arise and in helping you reach your budgeting goals.

In addition to your regular monthly savings, if you are paid weekly or bi-weekly, there will be some months when you receive extra paychecks. If you plan your budget according to the amount received in the months when you do *not* receive an extra check, consider ear-marking some or all of your extra checks for savings. Do the same with unexpected or extra income, such as overtime pay, pay raises, an income tax refund, or a bonus check. And set up automatic payroll deductions for savings or arrange for your bank to automatically transfer money monthly from your checking to your savings account. Out of sight, out of mind!

COMMON SAVINGS CATEGORIES

Some things to save for might include:

- Emergencies – such as auto or household repairs, major medical/dental expenses, and any other unexpected major expenses
- Reserve – for income that fluctuates and for major expenses that are not due monthly, such as an insurance payment that is due semi-annually
- Retirement
- Christmas – Plan for this predictable expense instead of going into debt at Christmastime.
- Car – Save in advance to purchase your next car without going into any debt (or to make the largest down payment possible). **TIP** When you finish paying off your car, save half of the car note amount each month toward the purchase of your next car.
- College
- Down Payment for a Home
- Vacation

- ☐ Record in the Savings section of your Budget form all of your savings and investments, *except* any savings or investments that are automatically deducted from your paycheck. If you have one account for more than one purpose, list each purpose on a separate line. In the example given below, note that this family has a savings account at Trust Bank. The money saved in this one

account is for four different purposes: emergencies, Christmas, vacation, and a down payment for a future car purchase. Therefore, the amount designated for each purpose is broken down in each of the three sections. This allows for a clear distinction of how much of the total saved has been ear-marked for each purpose.

- ❑ Calculate the monthly totals of your projected savings.

EXAMPLE:

S A V I N G S												
DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
<i>Emergencies (Trust Bank)</i>	250	250	250	250	250	250	250	250	250	250	250	250
<i>Christmas (Trust Bank)</i>	100	100	100	100	100	100	100	100	100	100	100	100
<i>Vacation (Trust Bank)</i>	150	150	150	150	150	150	150	150	150	150	150	150
<i>Car Down Pmt (Trust Bank)</i>	200	200	200	200	200	200	200	200	200	200	200	200
<i>Retirement (NB Investments)</i>	150	150	150	150	150	150	150	150	150	150	150	150
<i>College Fund (NB Investments)</i>	100	100	100	100	100	100	100	100	100	100	100	100
TOTALS	950	950	950	950	950	950	950	950	950	950	950	950

BILLS

NEEDED:

- ___ Budget form
- ___ Bills worksheet
- ___ Records of your bills

“Bills” will include all regular payments that are due on a specific day of the month and are usually, but not necessarily, due every month.

BILLS WORKSHEET

- ☐ Using the “Bills Worksheet,” make a complete list of your bills. NOTE: Do not include any insurance premium payments that are deducted from your paycheck – commonly health, life, and disability insurance. Some typical bills include:

- | | | |
|--------------------------|--------------------------|---------------------------|
| ___ Mortgage | ___ Cable/Direct TV | ___ Tuition / School Fees |
| ___ Rent | ___ Credit Card Payments | ___ Camp Registration |
| ___ Assn./Condo Dues | ___ Auto Loan | ___ Sports Fees |
| ___ Homeowners Insurance | ___ Other Loan Payments | ___ Music Lessons |
| ___ Renters Insurance | ___ Security System | ___ Child Care |
| ___ Property Taxes | ___ Pest Control | ___ Credit Card Payments |
| ___ Electricity | ___ Yard Service | ___ Memberships |
| ___ Gas | ___ Pool Service | ___ Subscriptions |
| ___ Water | ___ Auto Insurance | ___ Warranties |
| ___ Telephone | ___ Health Insurance | ___ Auto Registration |
| ___ Internet | ___ Life Insurance | ___ Bank Charges |
| ___ Cell Phone | ___ Disability Insurance | ___ Monthly Prescriptions |

- ☐ Transfer these expenses to the Bills section of your Budget form, listing them in order of the date payments are due. List dollar amounts only. If the payment is not an even dollar amount note the exact amount in the “Description” column (as in the example given of the “Value Cable Company” listing). It is preferable to complete this form on your computer so you can easily edit it in the future.

There are two reasons why it is recommended that these expenses are listed in due date order:

First, because bills are not necessarily received in the same order in which they are due (and in some cases they may be received more than a month before they are due). If paid in the order received instead of the order due, a shortage of funds may result. The second advantage of tracking expenses by due date is bill paying efficiency. Should a bill get lost in the mail or lost at home, it will not be overlooked.

EXAMPLE:

[illegible]

LIVING EXPENSES

NEEDED:
___ Budget form

“Living Expenses” include all remaining expenses: transportation, food, clothing, miscellaneous expenses and personal spending. (Unlike “Bills” these expenses do not have a due date.)

- ☐ Estimate the amount your family spends monthly in each of the categories listed below.

Transportation (routine expenses of a minimal amount)

___ Fuel
___ Parking
___ Tolls
___ Car Wash
___ Maintenance (minor maintenance costs, such as oil changes)*
___ Public Transportation
___ TOTAL

Food

___ Groceries
___ Lunch Money
___ Eating Out
___ TOTAL

Clothing

___ Clothing Purchases
___ Dry Cleaning
___ Alterations
___ TOTAL

Miscellaneous Expenses

___ Gifts
___ Entertainment
___ Hair/Beauty
___ Postage
___ Medical Co-payments (of minimal amounts)
___ Other Miscellaneous Expenses
___ TOTAL

Personal Spending

___ Personal Spending Money
___ Children’s Allowances
___ TOTAL

___ **TOTAL MONTHLY LIVING EXPENSES**

* Other transportation expenses, such as a car note, auto insurance, a monthly parking fee, a toll tag, and a gas credit card would be considered “Bills” since these are paid monthly. Car repairs would normally be paid from an emergency savings account.

Now that you have identified the amount you need monthly for your living expenses, it is time to determine how your budget adds up. In other words, is there enough money after your giving, savings, and bills to cover your living expenses?

- ☐ Deduct the total amounts for each month for giving, savings, and bills from the income total. Record the amounts remaining under “Living Expenses/Monthly Amount Available.”

Monthly amounts for living expenses usually vary because income and bills fluctuate month-to-month, which will result in varying monthly amounts.

- ☐ Calculate the *average* monthly amount available for your living expenses (add the amounts for all months and divide by twelve). List this on your form under “Living Expenses/Average Amount.” *This is the key number you will be working with when using your budget.* You have already factored in your giving, savings, and bills (which are basically fixed amounts). Knowing your financial boundaries with regard to living expenses is the most important component for budgeting success.

Since the amounts available each month will fluctuate, for any month that you have more than the average amount available for living expenses, set aside the excess funds for months when the available amounts are lower than the average. This will result in a more consistent cash flow for your everyday living expenses, making it easier to stay on budget.

Example:

LIVING EXPENSES												
(Average Monthly Amount: \$1033) (Weekly Amount: \$238)	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
	1210	568	1877	985	493	472	1210	568	1471	1230	493	1833
Amount Withdrawn/Transferred to Date												
Amount Remaining												

- ☐ Now, compare your monthly living expenses to the average monthly amount available in your budget for these expenses.

How do the numbers compare?

- ☐ If you have more money for living expenses than you anticipate needing, that is an easy fix! Determine what you will do with the extra money and adjust your budget.
- ☐ If what you have budgeted for living expenses exceeds the money you have available for these expenses, adjustments will need to be made. First review your budget to determine if you can make some simple adjustments to achieve a balance.
- ☐ If you are still unable to achieve a balance, you have two options to avoid incurring debt, or increasing your current debt. *You must reduce your expenses and/or increase your income.* Review the following sections in the Appendix to determine which ideas to implement, and adjust your budget accordingly.
 - Major Ways to Reduce Expenses (page 119)
 - A Penny Saved (page 126)
 - How to Increase Your Income (page 130)

TRACKING YOUR LIVING EXPENSES

One of the greatest difficulties people have with budgeting is that they lose track of their everyday spending (i.e., living expenses). It may be that they have no plan for tracking their living expenses, or that the tracking method they are using is too complicated or inconvenient, or it could be that they just became inconsistent in tracking their expenses.

Additionally, overspending is especially common with living expenses. Unlike bills that are set amounts (or amounts with only a minor fluctuation – such as utility bills) the money spent for living expenses can range significantly from conservative to extravagant. Therefore, to stay on budget, it is essential to track what you spend.

With *Budget Simplicity*, tracking your spending is simple!

How does it work?

The money needed for giving, savings, and bills are separated from the money budgeted for living expenses.

The easiest way to do this is to have two checking accounts (three if you are married) – one main checking account and one checking account for living expenses (two accounts for living expenses if married – one for each spouse):

Your Main Checking Account

All deposits are made into this account. “Giving” and “Bills” are paid from this account. Money allotted for “Savings” is transferred from this account to your savings account(s).

Your Separate Checking Account for Living Expenses (two separate accounts, if married)

You will not need checks for this account. You will only need a debit card. You might think of this account as a big “cash envelope” for your everyday expenses. All living expenses are paid from this account. Use your debit card for purchases and for cash withdrawals. Also, because debit card purchases and withdrawals post soon (in most cases immediately) after the transaction, your updated balance is often readily available when you need to check it online, or over the phone.

In scheduled increments throughout the month (weekly is recommended) you will transfer the amount you have budgeted for living expenses from your main account to your living expense account(s). Most banks allow you to set up recurring transfers of funds, so the amount for your living expenses will be automatically transferred into your account each week from your main checking account to your living expense account.

This is what you have to spend. This tracking system takes all of the guesswork out of your living expenses, making it easy to stay within your budget. As long as you have sufficient funds in your main checking account to cover your giving, savings, and bills, and your spending stays within the funds in your living expense account, you are on budget!

And, if you set up automatic transfers for your savings, and auto-pay for your giving and bills, then your living expense funds are the only funds you will need to track. Everything else will be automatic.

- ❑ If you do not already have the number of checking accounts needed (two if single, three if married) open additional account(s).

TIP Find a financial institution that offers free checking accounts.

- ❑ If you are married, decide how you will divide your living expense funds. Here are two examples: 1) A couple has allotted \$700 for food (\$500 for groceries and \$200 for eating out). The wife usually does the grocery shopping. The husband usually pays the bill when they eat out. The money allotted for food will need to be divided accordingly. 2) The husband has a much longer commute to work than his wife. This will need to be factored into how the transportation funds are split. Once you determine the total monthly amount allotted to each, calculate what percentage of the total funds each will receive. Using these percentages, calculate the weekly amount for each person.
- ❑ Set up direct deposit for your income into your main checking account.
- ❑ Set up auto-pay for your giving from your main checking account.
- ❑ Set up automatic monthly transfers from your main checking account to your savings account(s).
- ❑ Set up auto-pay for your bills (through your bank or directly with each account). There may be some bills that need to be paid with a check, but most accounts offer auto-pay.

Some financial adjustments may be necessary when transitioning into your budget. For example: When setting up your budget you might decide to save \$100 per month toward your \$600 semi-annual insurance bill. So, you budget \$100 per month into your savings account for this purpose. But, if your next insurance payment is due in two months, you will only have \$200 set aside for this bill when it becomes due. Therefore, adjustments will need to be made to your budget for the first few months to accommodate this upcoming payment.

- ❑ Set up weekly transfers for your living expenses.

NOTE: As we have seen in the budget example given, the actual monthly amount for living expenses fluctuates. If when you begin your budget it falls on a month where the amount you have available for living expenses is a low amount, you will need to factor that in to what you transfer. You may have to tighten up for the first month or two. It will soon level off, and once it does, it will be well worth your effort to make it happen.

You will have peace of mind knowing that all of your bills, savings and giving are accounted for (automatically in most, if not all, cases). The only funds you will need to focus on are what you have on hand for your living expenses. And since you will be transferring these funds into your living expense account weekly, it will be easy for you to stay on budget. This eliminates the common occurrence of people spending most of their money at the beginning of the month and having to really tighten up (or go into debt) to make ends meet for the rest of the month.

PRACTICAL TIPS FOR MAKING YOUR BUDGET WORK

KNOW – AND AVOID – THE SIX MAIN REASONS WHY BUDGETS FAIL

- **Not all of your regular bills were factored into your budget.**

This often happens when bills that are not due monthly are overlooked and not included in the budget such as a semi-annual insurance payment or an annual membership fee.

- **No provisions were made for unexpected expenses.**

Cars will need repairs from time to time, medical expenses will occur, and monthly bills will sometimes be higher than estimated. *Plan for the unexpected.* If you have a shortage of a very minimal amount, you may want to just pull the funds from your living expenses. For major shortages, use your emergency savings.

- **No provisions were made for income shortages.**

Income can be a set amount or a fluctuating amount (such as being paid by commission, or a base salary with commission or tips). If your income fluctuates, when you earn more than expected, put the overage in savings to draw from when income is less than anticipated.

- **The budgeted amounts were unrealistic.**

In cases where amounts are not definite, err on the side of slightly under-estimating your income and slightly over-estimating your expenses. It is easier to work with a cash overage than a shortage.

- **Spending was not properly tracked.**

This is more common when the tracking system used is complex and requires too much work. The *Budget Simplicity* tracking method is the easiest way to track spending and stay on budget.

- **There was a lack of self-discipline.**

Avoid temptation! – Avoid the mall, TV shopping networks, discount chain stores or whatever tempts you to overspend. If you were on a diet, you certainly would not want to hang out in a candy store. That would amount to self-sabotage. Remember that placing ourselves in the wrong situations can weaken our resolve to stay on budget.

If you keep overspending in one or more areas no matter how you try, you need to get to the root of the problem. Pray that God will reveal to you why you continue to overspend and ask for his wisdom, guidance, and strength in helping you break free of this habit. You may also want to seek a trustworthy prayer/accountability partner. If you just cannot seem to break away from an overspending habit, counseling may be helpful.

Remember: “If your outgo exceeds your income, then your upkeep will be your downfall.”
~ Bill Early. So, set yourself up to win!

WHEN THERE IS EXTRA MONTH AT THE END OF YOUR MONEY

Perhaps you are facing a few small, unexpected expenses or income that is slightly less than you budgeted. Before tapping into your emergency fund, try the following. (But if this becomes a frequent occurrence, your budget probably needs a revision.)

- See how creative you can be with the food you have on hand before making another trip to the grocery. Many families have enough stored in the freezer and in the pantry to last a few weeks.
- Reduce personal spending money for the month.
- Instead of paying extra on your credit cards, pay the minimum payment. (However, you won't want to do this too often because it will greatly extend the time it takes to pay off these debts.)
- Reduce the amount you had budgeted to put into savings. This is another tip that should not be used often, as it will be counter-productive in achieving your savings goals.
- Sell an unwanted household item through your local paper or the internet and/or hold a rummage sale.
- Pick up a little cash with an extra one-time job, such as babysitting or house/pet sitting.

WHAT TO DO IF A MAJOR FINANCIAL SETBACK OCCURS

Financial setbacks could include such situations as major medical or legal expenses, employment lay-off, major home repairs, divorce, or death of a spouse.

- If you are laid off, apply for unemployment; hurt at work, seek worker's compensation; if you become disabled, file for disability insurance coverage. Do not delay. Although some payments to you may be made retroactively, these processes can be lengthy, so it may be awhile before you begin receiving payments.
- Review your budget and make as many adjustments as possible to ease your financial situation. Accept that some financial goals may need to be postponed. Don't be tempted to take out the plastic so that your family can still go on the extravagant vacation that no longer fits into your budget. Now is the time to get creative and plan a lower cost vacation or a "staycation."
- Notify loan or credit card companies of your situation and negotiate a lower monthly payment, a deferred payment plan, or other adjusted payment.
- Tap into your emergency fund.
- Let your pastor know about your special needs. Some churches have financial resources set aside to assist those in need.
- If your financial situation is a serious health condition, or another major life crisis that has impacted your finances, check into websites set up for online fundraising to assist people in these circumstances. A fee (approximately 5%) is usually charged for processing the donations, but this is still a great way to raise funds through social media.
- Inquire about community programs that offer assistance.
- Determine if you qualify for governmental assistance.

MONEY

MAINTENANCE

REVIEW BUDGET FORM

If using direct deposits, automatic transfers, and auto-pay

- Confirm your deposits, transfers and payments. Circle the amounts on your Budget form to indicate confirmation of the transactions. Highlight if using electronic form. If anticipated income and/or expenses differed from the actual amounts, make the necessary adjustments to your budget.

Suggested frequency: Twice a month / Add calendar reminder if needed,

If your finances are not automated

- Deposit income into your main checking account. Make payments to giving, and bills. Transfer budgeted funds for savings from your main checking account to your savings account. Circle each item on your Budget form once the transaction has been made. Or highlight, if using electronic form. If anticipated income and/or expenses differed from the actual amounts, make the necessary adjustments to your budget.

Suggested frequency: Weekly / Add calendar reminder if needed.

CREATE A NEW ANNUAL BUDGET

- Toward the end of the year, create a budget for the coming year. Your current year's budget can serve as a helpful guide in estimating next year's budget.

Suggested frequency: Annually – December / Add calendar reminder if needed.

OPTIONAL SYSTEM ENHANCEMENT

CASH ENVELOPE METHOD

For any living expense category (transportation, food, clothing, miscellaneous expenses, personal spending) in which you want or need greater spending control, create a “cash envelope” for that spending purpose. For instance, if you want to set up an envelope for the food category, and you have budgeted \$500 per month for food, then add \$250 cash to the envelope twice a month. Or perhaps the only part of the food budget over which you need more control is eating out. Determine how much of your food budget you want to spend on eating out each month and put half of that amount in your envelope twice a month.

If you like the idea of the cash envelope method but prefer not to use cash, you can track your spending by keeping a running total in your electronic Notepad (or on an index card) of the amount you are spending in each category you are tracking.

Maintenance: Deposit cash into your cash envelopes.

(Suggested frequency: twice a month / add calendar reminder if needed.)

For more financial tips, see the following Appendix sections:

Major Ways to Reduce Expenses, page 119

A Penny Saved, page 126

How to Increase Your Income, page 130