BUDGETS

Wouldn’t it be nice to be able to go out to your backyard and pick twenty dollar bills off of a tree? Of course we all realize that there is no such thing as a money tree! And chances are you are not going to strike it rich in the next week or two. The stories of individuals who go from rags to riches are the stuff that dreams are usually made of. The reality is that the majority of individuals work a job and have to make ends meet on a monthly basis. Therefore it is really important for every person and family to create a budget that works for them.

Understanding and using a budget can help you achieve your financial goals. A budget is a plan for managing money during a given time period. For example a budget can be for one week, one month, one year or five years. It may be that thinking in terms of a one-year spending/savings plan at this stage of your life is a little overwhelming for you. On the other hand, you probably can think in terms of a one week or one month budget.

What are the main reasons for a budget?

· A budget helps you determine where you are spending your money currently
· A budget helps you decide where to spend your money in the future
· A budget helps you develop a savings plan

INCOME AND SPENDING

INCOME

Income is any money coming in. It can be money from one or more jobs or an allowance. You may receive money as a gift like Chanukah gelt or birthday money. Income is your starting point for your budget. It is always a limited amount. Therefore the amount you have for spending and saving is also a limited amount.

SPENDING

Spending, otherwise known as expenses, is any money used for your needs and wants. Expenses include things such as food, gas, bills and anything else that can’t be avoided along with non-essential expenses like entertainment, eating out and vacations.

You will find that some of your expenses are the exact amount every time. These are called fixed expenses. An example of a fixed expense would be rent for an apartment or a car payment.

FLEXIBLE OR ADJUSTABLE EXPENSES.

The other types of expenses are called flexible or adjustable expenses. In other words, you can control how much you spend. A good example of an adjustable expense is the money you spend on clothes, shoes or entertainment.
You may already know what your weekly or monthly income and spending patterns are. You may also be able to anticipate accurately the various expenses that come up in a given week or month. From this information you can expand your income and spending picture into a personal spending/savings plan – a budget. Then you will be able to make clear planned decisions as to the best way to use your money.

Cutting back does not have to be painful. If you think your quality of life is going to suffer it will only make planning a budget and maintaining it more difficult. Use your imagination and you will most likely succeed. Remember it can be difficult to accept the fact that you can’t spend your income like a millionaire but with the right mindset you will probably find that you don’t mind at all.

Here is a quick review of the main points that have been covered regarding a budget.

A Budget...

- Is a plan for managing your money
- Is for a specific period of time
- Helps you take control of your money
- Helps you achieve the things you value most
- Has two simple parts: income and spending
- Does not have to be complicated

Let’s use a simple example of charting where money can be spent.

In the first table $100 has been allocated to flexible expenses. Fill in the second table as to where you think you would spend $100.

<table>
<thead>
<tr>
<th>EXPENSE</th>
<th>PLANNED $</th>
<th>% OF TOTAL $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>10</td>
<td>10%</td>
</tr>
<tr>
<td>Clothing</td>
<td>15</td>
<td>15%</td>
</tr>
<tr>
<td>Transportation</td>
<td>30</td>
<td>30%</td>
</tr>
<tr>
<td>Food</td>
<td>20</td>
<td>20%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>15</td>
<td>15%</td>
</tr>
<tr>
<td>School</td>
<td>5</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$100</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>