



## BUDGETING

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# FSW

Personal Budgeting E-Book

# What is Budgeting? What is a Budget?

**Budgeting** is the process of creating a **plan to spend your money**. This spending plan is called a **budget**. Creating this spending plan allows you to determine in advance whether you will have enough money to do the things you need to do or would like to do.



*Budgeting is simply balancing your expenses with your income. If they don't balance and you spend more than you make, you will have a problem. Many people don't realize that they spend more than they earn and slowly sink deeper into debt every year.*

If you don't have enough money to do everything you would like to do, then you can use this planning process to prioritize your spending and focus your money on the things that are most important to you.

## Why is Budgeting Important?

Since budgeting allows you to create a spending plan for your money, **it ensures that you will always have enough money for the things you need** and the things that are important to you. Following a budget or spending plan will also keep you out of debt or help you work your way out of debt if you are currently in debt.

# 7 Steps to a Budget Made Easy

Are economic troubles causing you to consider your personal financial situation? You may be worried about losing your job or how much debt you have. Avoid a potential personal financial crisis; get back to basics with a budget you can stick to. Here's how to start:

## Step 1: Set Realistic Goals

Goals for your money will help you make smart spending choices. Ask yourself: What do I want my finances to look like in one year? Decide what's important to you and start there.

## Step 2: Identify your Income and Expenses

You probably know how much you earn each month – but do you also know where it all goes? Find out by tracking what you're spending. Spend as you normally would, but for a few weeks, jot down every cent you spend. It's easy and you might be amazed by what you find out.

## Step 3: Separate Needs and Wants

Ask yourself: Do I want this or do I need it? Will spending this money get me closer to my financial goals or further away? Can I live without it? Set clear priorities for yourself and the decisions become easier to make.

## Step 4: Design Your Budget

Make sure that you are not spending more than you make. Balance your budget to accommodate everything you need to pay for.

## **Step 5: Put Your Plan into Action**

Match your spending to when you receive your income. Decide ahead of time what you'll use each pay check for. Ask yourself: Have I allocated money for my necessities (housing, food, utilities, transportation, etc.)? Have I put money aside for my debt payments, unexpected expenses, savings and the fun stuff? This will protect you from going into debt further because you won't rely on credit to pay for your living expenses.

## **Step 6: Seasonal Expenses**

You know that things will “just come up” – school expenses, new shoes or an annual membership. Set money aside to pay for these expenses so you can afford them without going into debt.

## **Step 7: Look Ahead**

Getting on track with a budget can take a month or two. You've lived all this time without a spending plan, so give yourself time to adjust. Don't be afraid to ask for help if things aren't falling into place – [assistance is just a phone call away](#), at FSW we are always here to help 951-710-3167

# **Budgeting Percentage Guidelines for Living Expenses**

Many people often wonder how much of their income they should spend on their home, vehicle, groceries, clothes, etc. Below are some guidelines to give you a general idea and provide you with a starting point for your budget. Based on your income, family circumstances, and the part of the country you live in, your allocations may be very different.

To use these budgeting guidelines, start by developing your budget with the money you have available after government deductions from your pay check, but before voluntary deductions like RRSPs, pensions or other savings. If you have expenses

such as high debt payments, childcare, school expenses or giving, you will need to reduce your spending in other areas to accommodate these higher expenses.

## Breakdown of Cost of Living Budgeting Categories

- **Food: 10 – 20%**  
groceries / personal care / baby needs
- **Clothing: 3 – 5%**  
for all members of the family
- **Transportation: 15 – 20%**  
bus / taxi / fuel / insurance / maintenance / parking
- **Housing: 35%**  
mortgage / taxes / strata / rent/ insurance / hydro
- **Utilities: 5%**  
phone / cell phone / gas / cable / internet
- **Medical: 3%**  
health care premiums / specialists / over-the-counter
- **Debt Payments: 5 – 15%**  
Many people find that their budget is quite tight because their monthly debt payments are closer to 25% of their net income.
- **Savings: 5 – 10%**  
Plan to save money for expenses that don't occur every month, as well as for your future. Then you'll have a little extra available when you need it.
- **Personal & Discretionary: 5 – 10%**  
entertainment / recreation / tobacco/alcohol / eating out / gaming / hair- cuts / hobbies