

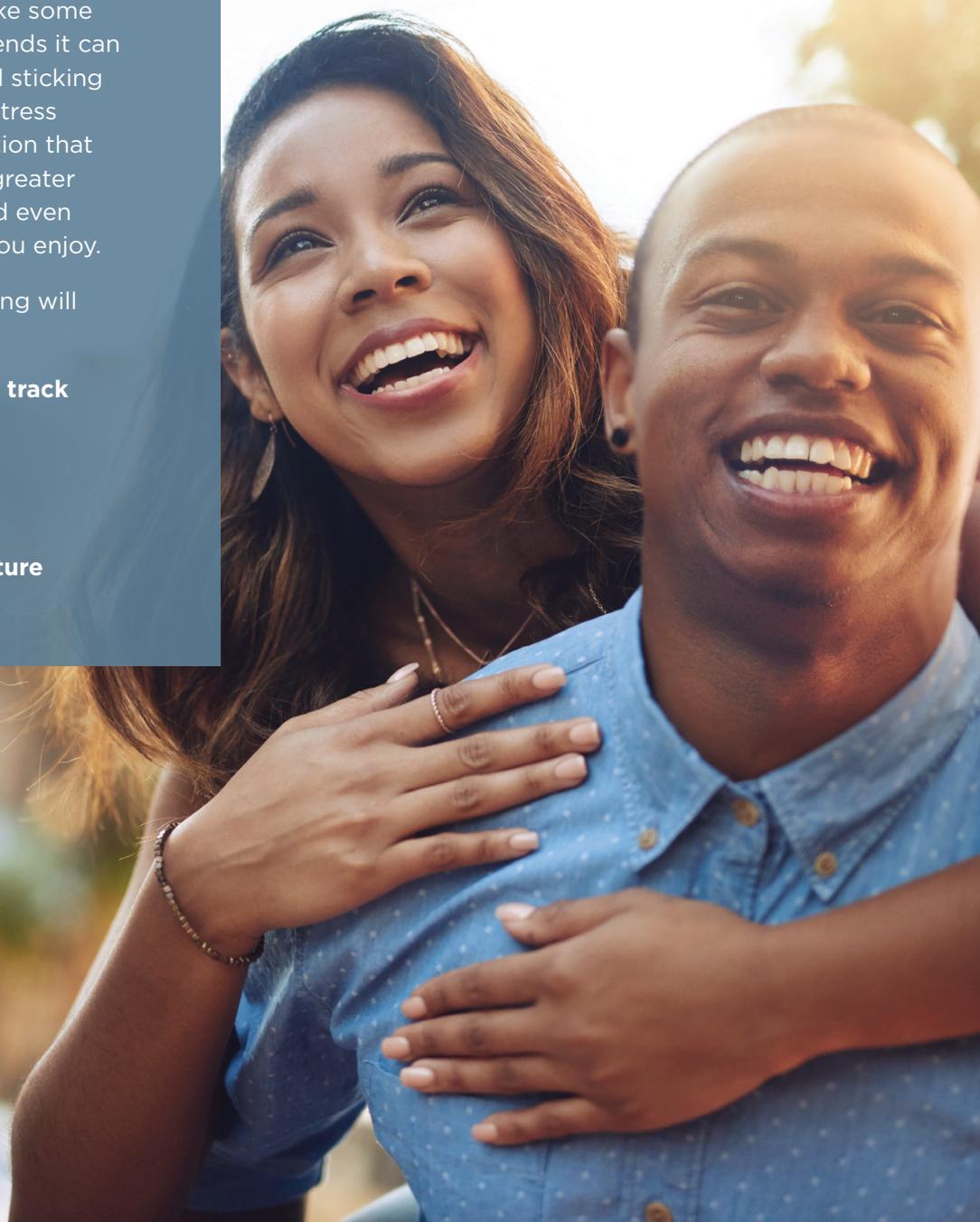
Build Your Budget

One of the most productive things you can do to be a better manager of your money is to build a basic budget for yourself or your household. Budgeting isn't complicated – and it doesn't have to take a lot of time.

And while budgeting does take some work and diligence, the dividends it can pay are huge. By creating and sticking to a plan, you can enjoy less stress for better health, the satisfaction that comes with achieving goals, greater control for peace of mind, and even more free time to do things you enjoy.

Building a real budget in writing will help you:

- **Stay accountable and on track**
- **Live within your means**
- **Decide how to spend**
- **Make informed choices**
- **Control your financial future**





SET **SMART** FINANCIAL GOALS

It all starts with setting goals – but not just any goals. SMART financial goals:

- **Specific** – It’s not enough to set a goal to have more money. What specifically do you want to accomplish with your money?
- **Measurable** – Now that you have set specific goals, how much do you need to save to accomplish them? Only by setting a specific goal can you define steps to reach it.
- **Adjustable** – Even specific, measurable goals should be flexible when needed. You may find yourself facing a financial or medical emergency and need to adjust your goals. The key is to be prepared for the possibility of needing to adjust your goals and to be able to adjust the steps you need to take to reach them.
- **Realistic** – Set only goals for which you can find a path to attain them. Making extreme sacrifices or setting unrealistic goals will only make you frustrated and miserable.
- **Time-oriented** – Set a date for when you expect to accomplish each goal so that you can measure your progress.

Each financial goal you set for yourself will fall into three categories:

Short-Term Goals

(to achieve within 6 months)

This is where budgeting does it’s finest work.

Intermediate Goals

(to achieve within 1-5 years)

Think of this as what you want to accomplish with your savings.

Long-Term Goals

(those that will take longer than 5 years to achieve)

Make investments to accomplish these goals.

Specific Measurable Adjustable Realistic Time-Oriented

Short-term goals	<u>Amount to save each month</u>		<u>Target date/time frame</u>		<u>Estimated cost</u>
Example: Down payment on a new car	\$280/month	X	18 months	=	\$5,040
_____	\$ _____		_____		\$ _____
_____	_____		_____		_____
_____	_____		_____		_____
_____	_____		_____		_____

_____	\$ _____		_____		\$ _____
_____	_____		_____		_____
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_____	\$ _____		_____		\$ _____
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Let's Get Started!

STEP 1

Identify Income

Start building your budget by looking at two key financial components: income and expenses. Income isn't just your paycheck. It can be your tax refund, rental income, alimony, and any number of other sources. Expenses range from fixed, like housing, to those that vary from month to month, such as gifts and holiday expenses.

STEP 2

Identify Spending

Next, determine where your money goes, with an understanding that the little things add up.

Income

Salary/Wages (self)	\$	\$
Salary/Wages (spouse)		
Dividends/Interest		
Capital Gains		
Sale of Investments		
Alimony/Child Support		
Rental Income		
Other		
Total Income	\$	\$

Expenses

Savings	\$	\$
Transportation Expenses		
Income Taxes		
Property Taxes		
Insurance (all types)		
Mortgage/Rent		
Home Maintenance		
Utilities/Cell Phone/Internet		
Medical/Dental		
Debt Payments		
Food - Groceries/Home		
Food - Dining Out		
Holiday Expenses		
Gifts		
Recreation		
Education/Exercise Classes		
Clothing/Laundry		
Subscriptions		
Books		
Dues		
Pet		
Misc/Other		
Total Expenses	\$	\$

STEP 3

Balance Income and Expenses

The ultimate goal of creating a budget is to plot out a road map for accomplishing your goals – and that can only happen when you spend less than you bring in so that you can save money to use for those goals. That’s why balancing your income against your expenses is so important. Now that you have identified all your income and expenses, you can compare them to see how they balance.

Do you spend more than you make? If so, can you identify areas of spending that you could decrease? Look for changes you can make to save more. These changes are what become the foundation for your budget plan.

STEP 4

Review and Communicate

Now that you have identified spending changes you can make, it’s time to review your plan and look for more ways to make financial progress. If you are sharing your goals and working on your budget with others in your household, get everyone on board and discuss how you will work as a team to accomplish your goals.

The most important question to ask yourself at this step is: Does your plan fit with your goals?

In other words, does your budget enable you to reach the SMART goals you outlined earlier in your plan? If not, look for more ways to save for those goals or adjust your goals as needed.



Some ways to save more and spend less include avoiding common “spending leaks” and incorporating more ways to save into your daily habits:

Pitfalls That Could Destroy Your Spending Plan

- Water left running
- Air/moisture leaks
- Ignored repairs
- Impulse shopping
- Eating out frequently
- Quick car acceleration
- Parking tickets
- Unread subscriptions or unused services
- Late fees
- Leftover food
- Lights left on

Practical Money-Saving Tips

- Use credit wisely
- Pay down debt
- Refinance
- Bundle insurance
- Shop around
- Use payroll direct deposit and automatic transfers
- Make savings a habit
- Use rebates and coupons
- Adjust the thermostat
- Drive sensibly
- Don’t go grocery shopping when hungry
- Make brown bag lunches



STEP 5

Balance Income and Expenses

At this point, your budget is complete – but it's always a work in progress. A budget is something that lives with you, not something that is created and then shelved. To get real results, you'll need to continually manage to your budget. But don't worry; managing to a budget is mostly about developing new habits, rather than making huge sacrifices.

Here are some ways you will need to manage your budget going forward:

- Track your expenses regularly. If you don't already, use a financial management software program to help you track your spending. Many apps and programs allow you to assign categories to various expenses and will provide spending reports. If you'd rather use a more tangible method, track your expenses in a written ledger or organize receipts by category in envelopes. What's most important about choosing a method for tracking your spending is to choose one that seems easiest and most natural to you.
- Pay your bills regularly. Doing this will not only save you from late fees but will also help you to develop better financial habits and will serve to create a regular timing pattern of payments, making it easier to predict your cash flow every month.
- Balance your checkbook regularly. Again, you can do this with financial management software, but you can also do this the old fashioned way with a checkbook ledger.
- Review your plan and goals regularly. About once a year or after any major life changes, such as a job change or addition to the family, review your goals to see if they are still appropriate and if you need to make any adjustments to your goals or budget.
- Communicate about your budget. In order for your budget to succeed, everyone affected by it should be in a regular, open dialogue about spending and saving. Make sure that everyone in your household is helping to stick with the budget and have conversations about it whenever adjustments are needed.

Now, You're Ready!

With a budget in place and with careful management, you're sure to get on the right path toward reaching your goals. But remember, the friendly folks here at Elko Federal Credit Union can help you with all of your financial challenges. In addition to the savings solutions and affordable credit options you need to help get your spending and savings habits into balance, our banking experts can offer you personal guidance and advice when you need it. We're here for you - and we're rooting for you every step of the way.

Resources for Saving Money

Want to learn more? Check out these additional resources:

[America Saves | US Department of Energy](#)
[Consumer Federation of America](#)

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