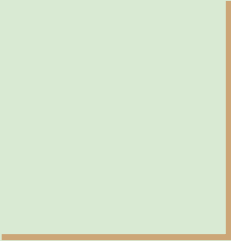




Budget Class

2023



Topics for Class



Budgeting Foundation
The Current Economy
Your Household

Budgeting Foundation



Budgeting Foundation

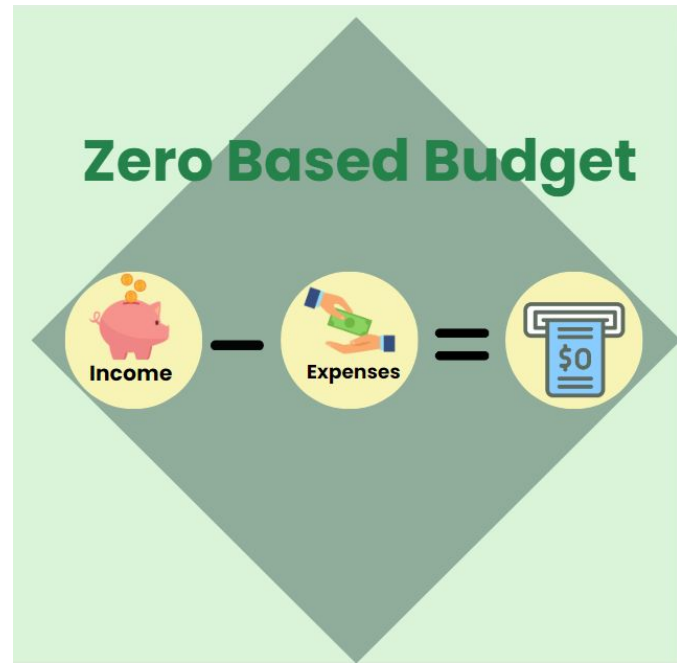
- Zero based budget
- Regular vs irregular income
- 4 walls
- Prioritizing line items
- Needs versus wants
- Amount to budget



Zero Based Budget

Income - Expenses = Zero

- List your total monthly income.
- Subtract each line item as you go.
 - *Giving*
 - Saving
 - 4 walls
 - Other essentials
 - Extras
 - Month-Specific expenses
- Any leftover money goes toward your current goal or priority.
- Leave a **\$100-\$300 buffer** in bank account.



Regular vs. Irregular Income

Regular Income

- Example; salary jobs, contracts, retainers.
- Make sure you total all paychecks, side hustle/side jobs etc. into your income.
- Subtract expenses.
- Predictable and consistent.

Irregular Income

- Look at the past 3 months of income.
- Use the Lowest income amount as your building block.
- Adjust as time progresses if you make more.
- Extras at the bottom of budget will get cut first.

Both can follow a Zero Based Budget!



4 Walls

1. Food

- a. Groceries should be under this category. Restaurants would be under an extra category.

2. Utilities

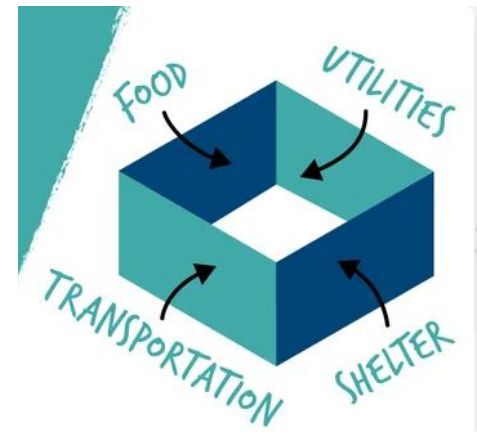
- a. Natural gas, power, water, trash, etc.

3. Mortgage/Rent

- a. If you pay homeowner or renters insurance separately lump it into this category.

4. Transportation

- a. Fuel, insurance, and maintenance. Car payment if you have one.



Why this order?



You and your family need to have food on the table, keep the heat and lights on, and a roof over your head.

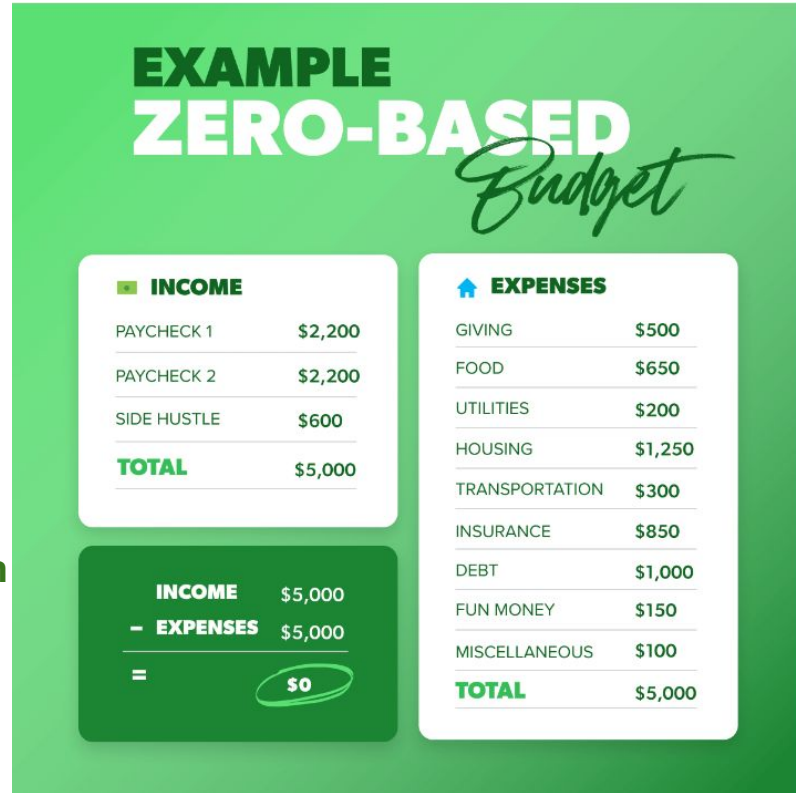


Transportation falls under the 4 walls because you need it to go food shopping, get to work, etc. Make sure you own your car. Eliminate your car payment.

These **4 line items are the bare necessities.**

Prioritizing line items

- After the 4 walls everyone's line items will look different based on the **household priorities.**
- Priorities can be narrowed down by a **need versus a want.**
- Items at the bottom of the budget are ones that would be cut out first.
- Decide **what you can use in a cash envelope versus what you will put on your card.**



NEEDS WANTS QUIZ

Need Want

Movie/TV streaming subscription	<input type="radio"/>	<input type="radio"/>
Groceries	<input type="radio"/>	<input type="radio"/>
New shoes	<input type="radio"/>	<input type="radio"/>
A place to live	<input type="radio"/>	<input type="radio"/>
Another car	<input type="radio"/>	<input type="radio"/>
Utilities: electricity, gas, water, etc.	<input type="radio"/>	<input type="radio"/>
New clothes	<input type="radio"/>	<input type="radio"/>
A cruise vacation	<input type="radio"/>	<input type="radio"/>
Lawn care service	<input type="radio"/>	<input type="radio"/>
Car wash	<input type="radio"/>	<input type="radio"/>
Childcare/day care	<input type="radio"/>	<input type="radio"/>
Going out to eat every day	<input type="radio"/>	<input type="radio"/>
Concert or game tickets	<input type="radio"/>	<input type="radio"/>
Auto insurance	<input type="radio"/>	<input type="radio"/>
Newest cell phone available	<input type="radio"/>	<input type="radio"/>
Premium pet food	<input type="radio"/>	<input type="radio"/>
Current cell phone plan	<input type="radio"/>	<input type="radio"/>
Gym membership	<input type="radio"/>	<input type="radio"/>

Most of us know we're the target of marketing, but we don't realize just how much we're marketed to. And all these different companies have one thing in mind—getting us to spend our money. That makes living on a budget even more important

1. What is one item on the list that you thought was need but is actually a want?

2. How does identifying a want or a need influence your spending habits?

Try with your spouse or accountability partner!



Amount to Budget



- Giving
 - 10% of income. Based off tithing principal.
- Saving
 - Starter emergency fund: \$1,000
 - Full emergency fund: 3-6 month expenses
 - Sinking funds: any amount toward a goal purchase. Ex: car
 - Investments: 15% of income toward retirement
- Food
 - Singles age 19-50 spend: \$314-\$371
 - Couples age 19-50 spend: \$685
 - Families of four spend: \$971 (for a “thrifty” plan)
 - Restaurants: Avg. per household \$3,030/year \$252.50/month
- Utilities
 - Natural Gas: \$447/year(\$37 a month)
 - Electricity: \$1,551/year (\$129 a month)
 - Public service and Water: \$695/year(\$58 a month)
- Housing
 - 25% - 35% of net income.
 - Mortgage, tax, insurance, HOA, and private mortgage insurance
- Transportation
 - Fuel & Oil: \$2,148/year (\$179/month)
 - Other Transportation: \$452/year (\$38/month)
 - Maintenance & Repairs: \$975/year (\$81/month)
- Health
 - \$1,070/year (\$89/month) Medical Services
 - \$498/year (\$41.50/month) Medicine
- Childcare
 - Per child: \$10,700-\$29,800/ year (\$892-\$2,483/month)
- Lifestyle or Entertainment
 - Avg. per household \$3,568/year(\$297/month)
- Personal Spending
 - Avg. per household \$771/year (\$64/month) Personal care products or services
 - Avg. per household \$1,754/year (\$146/month) apparel and services
- Miscellaneous
 - 5% of income

The Current Economy

What is going on?

- Inflation largest increase in 40 years
 - 30% of Americans are struggling or in a crisis with their finances.
 - 50% of Americans are having trouble paying bills.
 - 38% of Americans are having trouble paying mortgage.
 - 4/10 Americans have \$0 in savings.
- 50% of Americans say finances have had a negative impact on their mental health.
 - 40% have cried or had a panic attack over money.
 - Gen. Z (36%) has the highest overdue credit card balance.
 - Boomers (8%) have the lowest overdue credit card balance.



What Can You do?

NET WORTH

Assets - Liabilities = Net Worth

- Control what you can control.
- **Live on less than you make.**
- Prepare for yourself and your family.
- Current culture: Payments are normal and FICO score is king.
- Be **WEIRD**. Reduce payments, stop measuring financial success by FICO score, look at **net worth**.
- If your money is stretched thin-so are you!
- **Opportunity Cost:** *If I spend money on this, then I can't spend money on that.*
- Add your payments plus interest and multiply by 12 months.
 - What could you actually do with that money??
- **Vision for your family/self.**
- Those who start a zero based budget find an **additional \$350** that was wasted.
- Emergency fund keeps you out of debt.
- Budget monthly with check-ins throughout the month.



Your Household

Tips to save money

Cut out your debt

Buy generic or intentional brands

Meal Plan

Cancel subscriptions/memberships

Review your tax withholdings

Check for new insurance rates

Reduce energy usage

Minimize/stop eating out

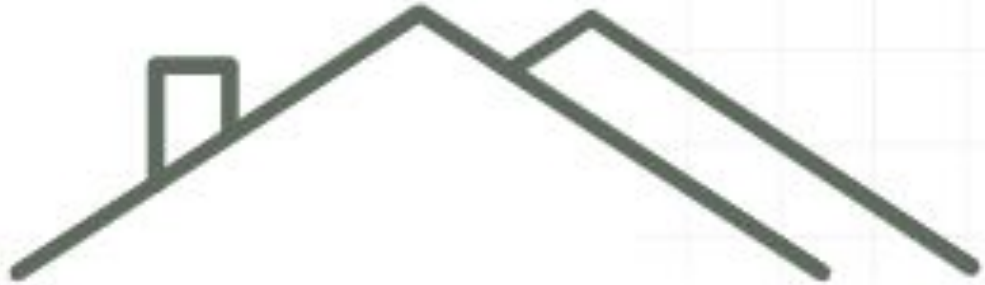
Shop for new cell phone plans

No spend periods

DIY everything you can

Use cash when you can

Your Household



1. What is your biggest strength with your money and current budget system?
2. What is your weakest area?
3. Name one change that you could do tomorrow.
4. When was the last time you bought something because of a compelling ad?
5. What is the danger of not speaking to your spouse before making a major purchase?
6. What are some categories that you think might bust your budget? How can you keep them in control?
7. Which categories can you use cash envelopes for?
8. How does opportunity cost help you prioritize your spending?



Questions and Comments

Thank you!

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