

BUDGETING BASICS

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It's the time of year to adopt new habits.

Start 2021 by creating a budget to make every dollar work harder for you and your financial goals. A budget can help control spending, reduce debt and stay on track for financial goals. The first step is to determine if your income covers your current expenses. An increase in expenses or a drop in income usually means a change in lifestyle. The sooner you look at your household budget, the more options you have. This may be especially important during COVID-19.

A spending plan, also called a budget, is simply a plan to help you meet expenses, create savings, repay debt and spend money the way you want. A good spending plan can help you stop “spending leaks” - spending money without thinking. Budgets include these three items:

Money In—paychecks, tips, loans, child support, social security and other benefits.

Money Out—regular monthly bills (like housing, utilities, childcare, loan payments) and expenses that fluctuate (like groceries, gas, clothing, medical or prescription costs) as well as charitable donations.

Goals—money set aside for emergencies (also known as a cash reserve), replacing a vehicle, buying a house, a trip, college or retirement.

COVID-19 has had a profound impact on individuals, families and economies across the globe. Like many Americans, you may be concerned about your finances while navigating this crisis. Protecting your finances amidst a global pandemic may seem impossible, but with the right budget in place, you can help prepare for changes in income or unforeseen expenses. For help, consider registering for “Cutting Back & Keeping Up When Money is Tight” from Financial Stability Coalition partner Extension.

Budgeting Tools



<https://fyi.extension.wisc.edu/toughtimes/files/2019/01/Cutting-Back-UW-3.20.pdf>

<https://www.epicrps.com/GoRetireCalculators/HomeBudget>

<https://bettermoneyhabits.bankofamerica.com/en/saving-budgeting/creating-a-budget>

https://www.consumer.gov/sites/www.consumer.gov/files/pdf-1020-make-budget-worksheet_form.pdf

<https://simplicity.learnbanzai.com/wellness/resources/create-a-budget-coach>

<https://mint.intuit.com/blog/hacks-2/covid-19-and-finances-ultimate-money-tip-and-resource-guide/>

More resources at: <https://www.uwswac.org/budgeting-basics-2021>

Apps:



Classes:

CUTTING BACK & KEEPING UP WHEN MONEY IS TIGHT

With Extension Educator Jackie Carattini
Second Tuesday each month via Zoom
11am-1pm or 5:30pm-7:30pm

RSVP to receive the Zoom link by calling
715-421-8437 or emailing
familyliving@co.wood.wi.us

Financial Coaching:

For **FREE** one-on-one financial coaching, contact Jackie Carattini, Wood County Extension office at jackie.carratini@wisc.edu or 715-421-8437.

6 Steps to Creating a Budget

STEP 1: Note your net income—identify the amount of money you have coming in.

STEP 2: Track your spending—know where your money is actually going. Use one or more of the methods listed to the right to track your spending.

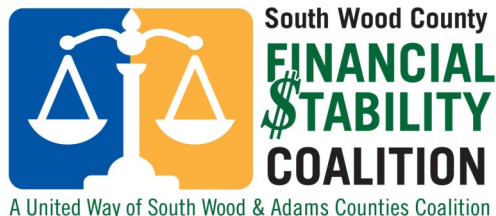
STEP 3: Set your goals—make a list of short and long term financial goals. Short term goals take no longer than a year to accomplish; long term goals, such as saving for your child’s education or retirement, may take years to achieve.

STEP 4: Make a plan— use the expenses you compiled to get a sense of what you’ll spend in the coming months. You may wish to break down expenses between things you need and things you want (the difference may become important if you need to make adjustments.)

STEP 5: Adjust your habits if necessary—Do you see where you have money left over or where you can cut back to put money towards your goals? “Want-to-have” expenses and “spending leaks” may be the first area to look for spending cuts if your budget still doesn’t add up.

STEP 6: Keep Checking In—Review your budget on a regular basis to ensure you are staying on track.

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There are many ways to track spending!

Most people have a good idea of how much they earn and their fixed expenses, those bills that stay the same each month. It’s expenses that fluctuate that can really mess with your budget.

Track your income and expenses with:

- ⇒ A Notebook: When you spend money, write it down.
- ⇒ A Cell Phone: Use your phone’s notes app to track expenses or download a free budgeting app.
- ⇒ Receipts: Put receipts in an envelope, then add them up at the end of the month. Didn’t get a receipt? Write the amount on the envelope.
- ⇒ Calendar: Write down what you spent, what bills were paid and income received in your calendar.
- ⇒ Checkbook/Debit Ledger: Look through your checkbook register, debit ledger or monthly bank statement.
- ⇒ Envelope Method: Put your spending money for the day/ week in an envelope. When you take cash out, write the purchase on the envelope. Or divide your expenses into categories, like “groceries” or “entertainment.” When one envelope is empty, the money has to come out of another envelope—you decide which envelope.
- ⇒ Computer: Enter your income & expenses into a computer program (there are many free cash flow programs).
- ⇒ Bank: Many banks and credit unions offer online bill paying, expense category tracking, text and other features.

You may wish to track income (especially if it changes often due to varying work schedule, overtime, tips, etc.) and expenses for a few months to get a true picture of your financial situation.

Remember to account for those expenses that are only periodic, like insurance or charitable donations. Tracking your income and spending lets you stay on top of where your money is really going.

If your monthly expenses are consistently higher than your monthly income, you have 3 options: cut back on spending, increase your income, or both.

Sources: <https://bettermoneyhabits.bankofamerica.com/en/saving-budgeting/creating-a-budget>; <https://fyi.extension.wisc.edu/toughtimes/files/2019/01/Cutting-Back-UW-3.20.pdf>

United Way of South
Wood & Adams Counties

