

# Basics of Household Budgeting

# What is a Household Budget?

A budget shows how much money you have coming in and how you are spending it.

A budget is one of the most important tools in building a successful financial future, because it helps you get the most out of the money that you earn.

Creating and managing a budget will give you a sense of control over your money.

Many people create a monthly plan because most bills follow a monthly schedule.

Others prefer to create a weekly plan, as it allows them to monitor their budget performance on a weekly basis.

## Choosing a Budgeting System

1. The Notebook –Writing down all your sources of income and all your expenses.
2. The Spreadsheet - A spreadsheet (ex: Excel) allows you to organize a lot of information easily and computes the math for you.
3. Financial Software - You need to be computer-savvy to use them, and they often come at a considerable cost.

# Four basic steps to creating a budget:

1. Calculating Your Income and Expenses
2. Analyzing Your Spending
3. Revisiting & Making Adjustments
4. Commitment to the Budgeting Process

## Step 1: Calculating Your Income and Expenses

List your monthly income sources	Identify your monthly expenses
<ul style="list-style-type: none"><li>• your salary (after taxes)</li><li>• child support</li><li>• other benefits / bonuses you receive regularly</li></ul>	<ul style="list-style-type: none"><li>• <b>Fixed committed expenses</b> - are a fixed monthly amount</li><li>• <b>Variable committed expenses</b> - Vary from one month to the next based on need</li><li>• <b>Discretionary expenses</b> - Optional expenses</li></ul>
<b>Total Monthly Income</b>	<b>Total Monthly Expenses</b>

## Step 2: Analyse Your Spending

Household expenses	Entertainment	Loans and debts	Savings
<ul style="list-style-type: none"><li>• Housing payment (rent or mortgage)</li><li>• Housing maintenance</li><li>• Groceries</li><li>• Utilities (hydro, water)</li><li>• Cable, phone, internet</li><li>• Clothing</li><li>• Gifts</li><li>• Child care / tuition</li></ul>	<ul style="list-style-type: none"><li>• Dining out</li><li>• Spectator events</li><li>• Magazines, books</li><li>• Hobbies</li><li>• Travel</li></ul>	<ul style="list-style-type: none"><li>• Credit cards</li><li>• Car loans</li><li>• Personal loans</li><li>• Lines of credit</li><li>• Student loans</li></ul>	<ul style="list-style-type: none"><li>• RRSP</li><li>• TFSA</li><li>• Savings accounts</li><li>• Charitable gifts</li></ul>

# The Importance Of Savings

- Savings are a major part of a financial plan and household budget, and should be treated as discretionary expense items.
- An emergency savings fund should be established to cover at least six months of income, or enough to compensate for a job loss or other emergency.
- In addition, long-term savings should be set aside for any significant future expenses, such as home renovations or large-scale home repairs.

## Step 3: Making Adjustments

It is very important that your expenses do not exceed your total income. If they do, perhaps your initial monthly budget estimates were inaccurate.

When you notice inaccuracies with your budget estimates, it is very important to make adjustments quickly.

You always want to be sure that you balance your inflows (total income) with your outflows (total expenses).



# Step 4: Committing to the Budgeting Process

Committing to the budgeting process and to a financial plan is often the most difficult step for a person to take.

Remain realistic at all times, evaluate your budget often (weekly or monthly) and don't hesitate to make adjustments as needed.

Remember that creating a budget is a great step in working toward a more financially sound future for you and your family.

Thank You !  
Questions? Comments?  
*Contact Information*