

# Budget 101

# Budget 101

## Table of Contents

About Credit.org .....	2
Our Services .....	3
Introduction .....	4
Track Spending .....	5
Track Income .....	7
Setting Goals .....	8
Balancing Your Budget .....	9
What Does Your Spending Look Like? .....	10
Monthly Budget .....	11



# About Credit.org



## Credit.org is a Nonprofit Consumer Credit Counseling Agency Formed in 1974

Our mission is simple, yet vital: Improve the financial well-being of individuals and families by providing quality financial education and counseling. We offer personal assistance with money, credit, and debt management through educational programs and confidential counseling.



**Legal Disclaimer:** Liability claims regarding damage caused by the use of any information provided will be rejected. Information presented is to the best knowledge of the author and editors correct; however, if the reader intends to make use of any of the information presented in this publication, please verify information selected. No information provided here, or materials referenced, is intended to constitute legal or tax advice. You should not rely on our statements (or materials referenced) for legal or tax advice and should always confirm such information with your lawyers or tax professionals, who should be responsible for taking whatever steps are necessary to check all information and personally ensuring that the advice these professionals provide is based on accurate and complete information and research from any available sources.

Copyright © 2023 by Credit.org. This publication is copyrighted. All rights reserved.  
No part of this book may be used or reproduced in any manner whatsoever without prior permission of credit.org.

# Our Services

---

## Financial Education Program

We offer seminars, workshops, and educational materials on topics such as budgeting and money management, identity theft, and understanding credit.

---

## Debt Management Program

If you choose this option, we can work with your creditors to reduce costs and repay debt through one monthly payment.

---

## Confidential Debt Counseling

Our certified consumer credit counselors will discuss your financial situation with you, help you understand what may cause financial stress, and help you create a personalized budget, an action plan and give you options to help manage your finances more effectively.

---

## Credit Report Review

Our certified counselors work with you to break down your credit report, answer questions, and give guidance for improving your credit score over time.

---

## Housing Counseling

We are a HUD-certified housing counseling agency. We provide homebuyer education seminars, mortgage counseling, foreclosure prevention assistance, landlord/ tenant counseling, post-homebuyer education, and reverse mortgage counseling (please call ahead for reverse mortgage appointments).

---

## Bankruptcy Pre-petition Credit Counseling

We provide counseling (and a certificate of completion as mandated by the bankruptcy reform law) for those considering bankruptcy. We also provide financial education (and a certificate of completion as mandated by the bankruptcy reform law) for those completing their bankruptcy discharge.



# Introduction

---

## Start Budgeting Today

As a nonprofit organization with 50 years of service to the community, we've learned that the best way for people to create and live on a budget effectively is to start right away. Don't wait!

Obviously, anyone who has never lived on a budget before will need to learn the basics first. That's what this course is about. Budgeting 101 is your introductory primer, which will give you the basic tools to get started today.

Overtime, you'll learn from your experience and hone your budget. We've also got more comprehensive budgeting material; our Power of Paycheck Planning course is our most popular and covers more ground than Budgeting 101. Where this booklet is a quick 8-page introduction to budgeting, the Power of Paycheck Planning workbook is over 30 pages. In addition to that, our Budget 911 course helps people through emergency situations; if you're facing a financial crisis and want to come up with a response, that's the course to check out.

Before we dig into the basics of budgeting, let's cover your first step:

### **STOP BORROWING**

You can't keep digging if you ever hope to get out of the hole. Stop borrowing now. Cut up your credit cards if you have to.

### **LIVE ON A CASH BASIS**

Get used to paying cash for things while you figure out your budget. Paying with plastic makes it too easy to overspend, and you need to make your budget unbreakable.

### **RELAX**

Take it one day at a time; you will inevitably have stumbles, but keep going and budgeting will get easier over time.





# Track Spending

Before you can even start to create a realistic budget, you have to track your spending.

## **TRACK EVERYTHING**

Track everything you spend. Every cup of coffee, every time to slip a dollar into a vending machine, track it.

## **TRACKING METHODS**

Use whatever method works best for you to track what you spend:

### **CALENDAR**

Record all of your spending on a daily calendar. This also tracks when bills are due.

### **NOTEBOOK**

Carry a notebook with you and jot down everything you spend.

### **RECEIPTS**

Save all receipts. Throw them in a folder or shoebox and sort them out later.

### **APPS**

Use a smartphone app or computer to track spending. Download our free spreadsheet.

## **CATEGORIZE SPENDING**

Break your spending down into categories. You can use our budget tracking sheets as a guide.

### **HOUSING**

Mortgage/rent, property taxes, utility bills and household expenses.

### **AUTO**

Car payment, gas, insurance, repairs, DMV registration and taxes.

### **FOOD**

Groceries, dining out, snacks, pet food, beverages.



# Track Spending

## OTHER

There are a lot of categories, like medical, savings, entertainment, gifts, and more.

Once you spend some time tracking, you'll see that you have lots of spending that you weren't consciously aware of. The more you track, the more you'll learn about yourself. Spend at least a full month tracking everything you spend, and you'll have the information you need to construct a new, more effective budget.



# Track Income

Now that you know how much you are currently spending, you'll want to calculate exactly how much you have to work with in order to propose a new budget.

## INCLUDE EVERYTHING

Any amount of money that comes in, no matter the source, should be treated like all other income and included in your budget. Don't treat your income tax refund like lottery winnings and spend it frivolously. Apply all the money you get toward your expenses, goals, debt repayment, and other budget items.

- Paycheck/Spouse's Pay
- Part Time Job
- Side Hustles
- Rental Income
- Commissions, Bonuses
- Tax Refund
- Child Support/Alimony
- Family Support
- Other Income

Other might include income from garage sales, eBay, Etsy, etc.





# Setting Goals

What is the point of all of this budgeting? What are your financial goals? Your first goal should be debt repayment, but then you'll want to establish savings goals.

## THREE CATEGORIES OF GOALS

### Short-Term

Goals that take less than 1 year to achieve are considered short-term. Includes vacations, a new smartphone, new TV, or Christmas gifts.

### Mid-Term

Mid-term goals can take up to 5 years to achieve. Saving for a car is a common mid-term goal.

### Long-Term

Long-term goals take more than five years. Saving for a home, college education, or retirement are important goals.

## CALCULATING GOAL SAVING

Financial Goals	Target Date	Total Needed	Current Savings	Additional savings needed	# of pay periods until target date	Savings needed per pay period	Savings needed per month
Example: A new car	36 months	\$20,650	\$6,250	\$14,400	72	\$200	\$400
Short-Term Goals							
Mid-Term Goals							
Long-Term Goals							
					Total:		



# Balancing Your Budget

## ADDING IT ALL UP

Now you can add up everything you've done to create your new budget. After tracking spending, you know what your monthly expenses are, and you should know how much you have to save every month toward your goals.

Subtract that from your total income and make sure there's enough coming into pay for everything. If you come up short, look for ways to increase income or cut expenses. Check out our FIT Academy for free tips and advice for making ends meet, or contact [credit.org](https://credit.org) for a free counseling session.

Total Income

(-) Monthly Expenses

(-) Debt Repayment

(-) Monthly Goal Savings

(=) Balance

## EVALUATING EXPENSES

When we create budgeting charts, we divide expenses into 2 categories:

-Wants

-Needs

Discretionary expenses, or Wants, are the first place to look to make cuts if your budget doesn't balance.



# What Does Your Spending Look Like?

Below is a range that you can use to create your own budget. Please make sure to adjust your numbers to total 100%.

Spending Guide	% of Monthly Budget	What to Include
Housing	35% - 45%	Housing costs, mortgage, rent, property taxes, insurance, and utilities, can fluctuate based on location (urban, suburban, or rural). If expenses exceed 35-45% of income, consider alternative arrangements to allocate funds for essential budget items.
Monthly Installments	10% - 20%	Installments, credit card payments, personal & student loans, any other debt payments. If you are paying more than 20% of your income in unsecured loans, you may be in serious financial jeopardy.
Utilities	8% - 15%	Gas, electricity, water, trash, sewer and telephone (regular & cell). If you spend too much on utilities some actions you can take are consider switching phone providers, update to energy efficient appliances, utilized programmable thermostats, etc..
Food	10% - 20%	All food items, dining out, and pet food. On average, Americans spend 15% of their incomes on food. It's 5 times more expensive to dine out than to prepare meals yourself.
Auto & Transport	15% - 25%	Purchase or installment payments, gas & electric power, repairs, insurance, parking and public transportation. If you are exceeding the recommended 25% of your income for a vehicle, consider trading in for a more affordable option.
Medical	8% - 15%	Medical insurance premiums, prescriptions, doctor and dentist bills. Medical bills don't come along every month; however, consumers should save funds within the 8-15% range monthly for emergencies.
Clothing	3% - 5%	All clothing purchases, shoes & alterations. There are a number of options when it comes to clothing, keep an eye out for sales year round and shop at discount department stores versus luxury department stores.
Personal & Misc.	5% - 10%	Miscellaneous expenses, subscriptions, admissions, hobbies, postage, tobacco, cosmetics, haircuts, and cable. Chances are you spend far more than 10% in this category. Most of these are "wants" and not "needs" and can be greatly reduced.
Savings & Invest.	5% - 10%	It's crucial that you set aside this 10% of your earnings for your goals. You should not consider investing until you have significant savings (\$10,000 or more) in the bank.



# Monthly Budget

Necessary Expenses	Current	Proposed
<b>Housing Rent/Mortgage</b>	<b>1413</b>	<b>1413</b>
Mortgage	1053	1053
Property Tax	120	12
Insurance	N/A	N/A
HOA Dues	0	0
Gas/Electricity	110	110
Water/Sewer/Trash	40	40
Cell	90	90
<b>Food Groceries</b>	<b>453</b>	<b>250</b>
Dining Out	303	150
At Work/School	150	100
<b>Insurance Life</b>	<b>50</b>	<b>60</b>
Health/Dental	50	50
Disability	0	10
<b>Medical Care</b>	<b>290</b>	<b>180</b>
Doctor	200	90
Optometrist/Lenses	0	0
Dental	0	0
Prescriptions	90	90
Counseling/Therapy	0	0
<b>Transportation</b>	<b>910</b>	<b>955</b>
Car Payment 1	325	325
Car Payment 2	275	275
Insurance	90	90
Gas/Oil	200	225
Repairs	0	20

Necessary Expenses	Current	Proposed
DMV/Smog	20	20
Tolls/Parking	0	0
Public Transportation	0	0
<b>Child Care</b>	<b>175</b>	<b>175</b>
Daycare/Sitting	0	0
Child Support/Alimony	175	175
<b>Miscellaneous</b>	<b>80</b>	<b>50</b>
Banking Fees	15	0
Laundry	0	0
Union Dues	0	0
Other	65	50
<b>Income Taxes</b>	<b>75</b>	<b>150</b>
Prior Year	75	75
Estimated Tax Payment	0	75
<b>Savings</b>	<b>500</b>	<b>1000</b>
Emergency	0	500
Goals	500	500
<b>Total Expenses</b>	<b>\$4456</b>	<b>\$4683</b>



# Monthly Budget

Discretionary Expenses	Current	Proposed
<b>Personal</b>	<b>230</b>	<b>110</b>
Beauty/Barber	40	15
Clothing/Jewelry	150	75
Cosmetics	40	20
Manicure/Other	0	0
<b>Entertainment</b>	<b>620</b>	<b>160</b>
Streaming Services	90	60
Movie/Video	0	0
Dining Out	305	100
Sport/Hobbies/Clubs	0	0
Vacations/Travel	150	0
Books/Magazines	50	0
Music/App Subscription	25	0

Discretionary Expenses	Current	Proposed
<b>Miscellaneous</b>	<b>411</b>	<b>151</b>
Pet Care/Vet	0	0
Gifts	120	60
Warranties/Service Plans	26	26
Postage & Shipping	0	0
Cigarettes/Alcohol	60	0
Donations/Tithing	125	125
Internet Access	80	40
Other	0	100
<b>Total Discretionary Expenses</b>	<b>1261</b>	<b>521</b>
Debt Payments		
<b>Creditor Name:</b>	<b>Monthly Payments</b>	
	\$80	
	\$120	
	\$240	
<b>Total Debt Payments:</b>	<b>\$540</b>	



# Budget 101

**Credit.org**

1825 Chicago Avenue  
Suite 240  
Riverside, CA 92507

PO Box 5438  
Riverside, CA 92517-5438

**1-800-WISE-PLAN (800.947.3752)**

**[www.credit.org](http://www.credit.org)**

