

Budget Quick-Start Guide

Welcome to the Budget Quick-Start Guide, three simple pages to get you going with the single most powerful, practical tool for wise money management.

Using a budget involves four key activities: estimating current spending, planning future spending, tracking actual spending, and reviewing actual versus planned spending. Let's take a look at each one.

1. Estimating Current Spending

To get started with the estimating phase, fill out the “Now” columns of the *Monthly Cash Flow Plan*. Start by entering your household's monthly gross income—the amount before deductions, such as taxes or 401(k) contributions. Next, enter your current monthly giving and saving. Then fill in the rest of the “Now” figures as well as you can. Note that the first line in each section is for the total of the section.

Be sure to fill in the last three lines: your total monthly income, total monthly expenses, and the difference between the two.

2. Planning Future Spending

Once you're done with the “Now” columns of the *Monthly Cash Flow Plan*, fill in the “Goal” columns.

- *Monthly Income*. In most cases, your income goal will be the same as your current income. That is, unless you plan to try to increase your income in the year that this plan pertains to.

- *Giving*. Aim for giving at least 10 percent of your monthly gross income. That's the historical biblical starting point for giving.
- *Saving/investing*. Aim for saving or investing at least 10 percent of your monthly gross income. Build an emergency fund until it has three-to-six months' worth of living expenses; then move on to other savings goals.
- *Debts*. The important step here is to set an "accelerator" goal—that is, a monthly amount you could add to your minimum monthly payments to accelerate the process of getting out of debt. Add that figure to the monthly amount you're now paying on the lowest balance debt in this section and put the new amount in the "Goal" column. Then transfer the "Now" numbers from your other debts into the "Goal" column.

Set goals in the rest of the spending categories in a way that leaves you with a balanced *Monthly Cash Flow Plan*. All of your income should be allocated; the last line, "Income minus Expenses," should be zero.

Now transfer your spending goals from the *Monthly Cash Flow Plan* to the "Goals" row at the top of the *Monthly Cash Flow Tracker*.

3. Tracking Actual Spending

As you spend money, keep your receipts in a handy place or jot down how much you spend in your day planner, PDA, cell phone, or on a notepad. At the end of each day, enter your expenditures in the *Monthly Cash Flow Tracker*.

Keep your *Tracker* in a place where you'll see it every day—on your kitchen table or nightstand. That'll help you remember to record each day's expenses. At

the bottom of the form are the numbers 1 through 31, representing the days of the month. After entering your spending for the day, put a line through the date. That'll be an indicator that you recorded the day's spending.

4. Reviewing Actual Versus Planned Spending

At the end of each month, total your expenditures in each category. The first few months of tracking your expenditures will be for the purpose of making the "Now" columns of your *Monthly Cash Flow Plan* as accurate as possible. That'll help you refine your goals. Eventually, your review time will help you isolate areas to focus on. If you find yourself spending more than you planned to spend on food or clothing, perhaps by trying some different stores you'll be able to bring your actual spending in those categories in line with your planned spending.

Remember, budgets are not about spending less. They're about spending *more* effectively so that you have more for what really matters. Stick with it. As you get accustomed to using a budget you'll find yourself living with more margin, accomplishing more of your goals, and enjoying a lot more financial peace of mind.