



Money Mornings : Budgeting Basics

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We Help. We Educate. We Give Hope.

Agenda



- Financial Wellness
- Money Values
- Budget Basics
- Five Pre-Budget Steps:
 - Goals
 - Expense Tracking
 - Irregular Expenses
 - Emergency Expenses
 - Savings
- Irregular Income
- Review & Homework

A stylized human figure composed of a blue swoosh for the body and an orange swoosh for the arms, with an orange circle for the head, set against a blue background.

Objectives

At the end of this session, learners will be able to:

- Identify the 5 steps in preparing for a budget
- Describe their own values relating to money
- Create a plan for dealing with irregular expenses
- Create a plan for dealing with irregular income



**What do you want to
get out of being better
with your money?**

What's in it for you?



- Reduce stress
- Sleep better
- Have control of your money
- Hope

Money Values



**What does money
mean to *you*?**

Money Values



Common money values:

- Safety and security
- Freedom
- Choices
- Ability to give back (charity)
- Comfort
- Adventure

Budget Basics



**What comes to mind
when you hear the
word “budget”?**

Budget Basics



What is a Budget?



A **written spending plan** – spending now and saving to spend later.

- It's based on our own choices and priorities.

A Budget Includes:



- Our take-home (net) pay
- Our monthly living expenses
- Money to be put aside for
 - Irregular expenses
 - Emergency expenses
 - Savings goals

5 Pre-Budget Steps

1. Set realistic goals, based on your values.



Setting Goals



Goals will guide your decisions and help you determine how to spend your money.

- Short term: 6 – 12 months
- Medium term: 3 – 5 years
- Long term: 10 – 15 + years

Break your goals down into realistic amounts, according to your pay cycle.

Set SMART Goals

Set SMART goals for the choices you make!

Specific
Measurable
Achievable
Relevant
Timed



Set SMART Goals



Goal setting in action:

My goal is _____

I want to achieve it _____

The total cost of my goal is \$ _____

I will set aside \$ _____ / pay to achieve this goal.

Set SMART Goals



Goal setting in action:

My goal is **to build an emergency fund.**

I want to achieve it **in one year.**

The total cost of my goal is **\$1000.**

I will set aside **\$39 / bi-weekly** pay to achieve this goal.

Goal Setting Tips



Set clear goals – life happens so they may change over time, and that's ok

Pay yourself FIRST!

- Make saving automatic

Use separate accounts for each goal

- But watch for fees

Start small – but get started!

5 Pre-Budget Steps

1. Set realistic goals, based on your values.
2. Identify your income and track your expenses.



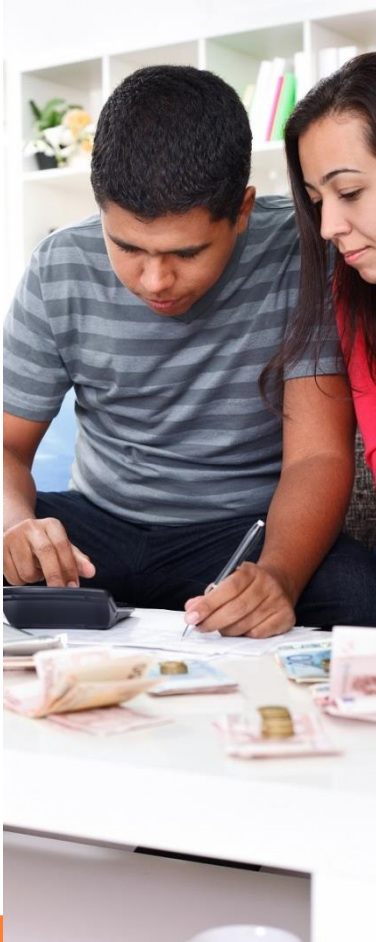
Expense Tracking



Tracking makes a budget work!

- It tells us the truth
- It shows our habits
- It shows where we can make changes
- It gets us in control

Ways to Track Expenses



- Pencil & paper
- CCS tracking booklet
- Spreadsheet or other software
- Envelopes for receipts
- Smartphone app
 - Start with a few categories

Find the system that works for you!

5 Pre-Budget Steps

1. Set realistic goals, based on your values.
2. Identify your income and track your expenses.
3. Plan for irregular expenses.



Irregular Expenses

What are some expenses that occur once in a while?





Irregular Expenses

Housing	Living	Work	Personal
Property taxes	Car insurance	Special clothing	Clothing/shoes
City utilities	Auto maintenance	Work supplies	Education
Repairs & maintenance	Annual memberships	Licenses or professional fees	Holidays/birthdays
Household items	Dentist/ Optometrist		Hair care/salon services
Appliances	Pet bills		Hobbies
	Prescriptions		

Managing Irregular Expenses



Create a plan to deal with them!

1. Open up a new bank account
2. Add up the cost of every irregular expense for a whole year
3. Divide by your number paydays
4. Deposit this amount into the new account with each payday
5. Track the “ins” and “outs”

Saving for Irregular Expenses



Example:

- Annual irregular expenses: \$2400
- Monthly deposit: \$200/month
- Biweekly deposit: \$93/pay

5 Pre-Budget Steps

1. Set realistic goals, based on your values.
2. Identify your income and track your expenses.
3. Plan for irregular expenses.
4. Plan for emergencies.



Emergencies




Emergencies happen!

- We just don't know when, what, or how much they will cost us!

An emergency fund will turn most emergencies into *inconveniences*.

- Short-term: aim for \$1000
- Long-term: 3-6 months' expenses

5 Pre-Budget Steps

- 
1. Set realistic goals, based on your values.
 2. Identify your income and track your expenses.
 3. Plan for irregular expenses.
 4. Plan for emergencies.
 5. Pay yourself first! Create savings.

Manage our Savings

Some ideas:

- Remove ATM/debit access to savings
- Joint account
- Automatic transfers
- Go into the branch to withdraw cash



How to Build Savings



- If you receive a lump sum of money, use the 40-40-20 rule
 - 40% goes into savings
 - 40% goes to repay debt
 - 20% is for fun!
- Example: \$1000 = \$400 into savings, \$400 onto debt, and \$200 for fun!
- Tax refunds, gifts, inheritances

Next Steps

1. Write your budget down
2. Start tracking your expenses
3. Add up irregular expenses and open a new savings account
4. Build savings – even \$10 counts!



Irregular Income



What are some of the challenges in managing irregular income?

Challenges



- Predicting income
- Avoiding using credit to manage
- Lifestyle inflation in good months
- Stress from feeling disorganized

Where to Start

- Prioritize your expenses
- Track your expenses
- Identify your specific situation



Prioritize



- What is essential?
- What has flexibility?
- What can wait?
- What is unknown?

The Essentials

- Groceries
- Housing and Utilities
- Transportation



The Priorities

- Debt payments
- Savings
 - Irregular expenses
 - Emergency fund
 - Tax fund



Track

Everything Else

- Entertainment
- Eating Out
- Cable



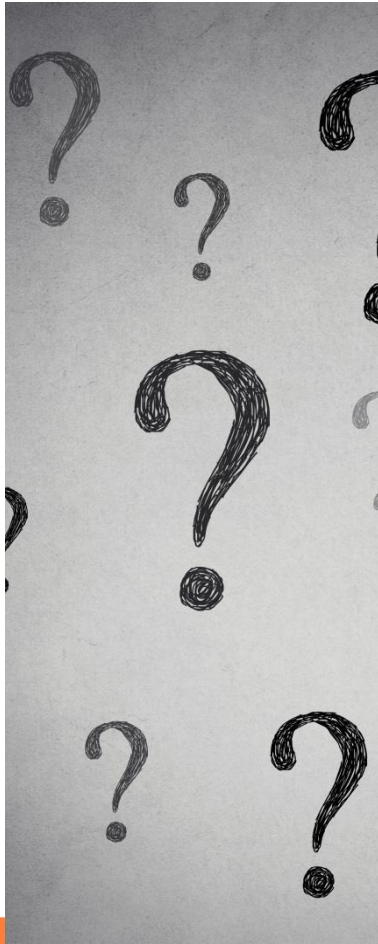
Identify



- Set an income target
 - Start from how much you need
- Set a spending target
 - Start from how much you make

Either way, tracking is the key!

Identify



- Do you have records of at least three years annual income?
- Do you deal with good vs lean months?
- Can you successfully adjust from month to month?

Budget Options

1. Average income
2. Two budgets



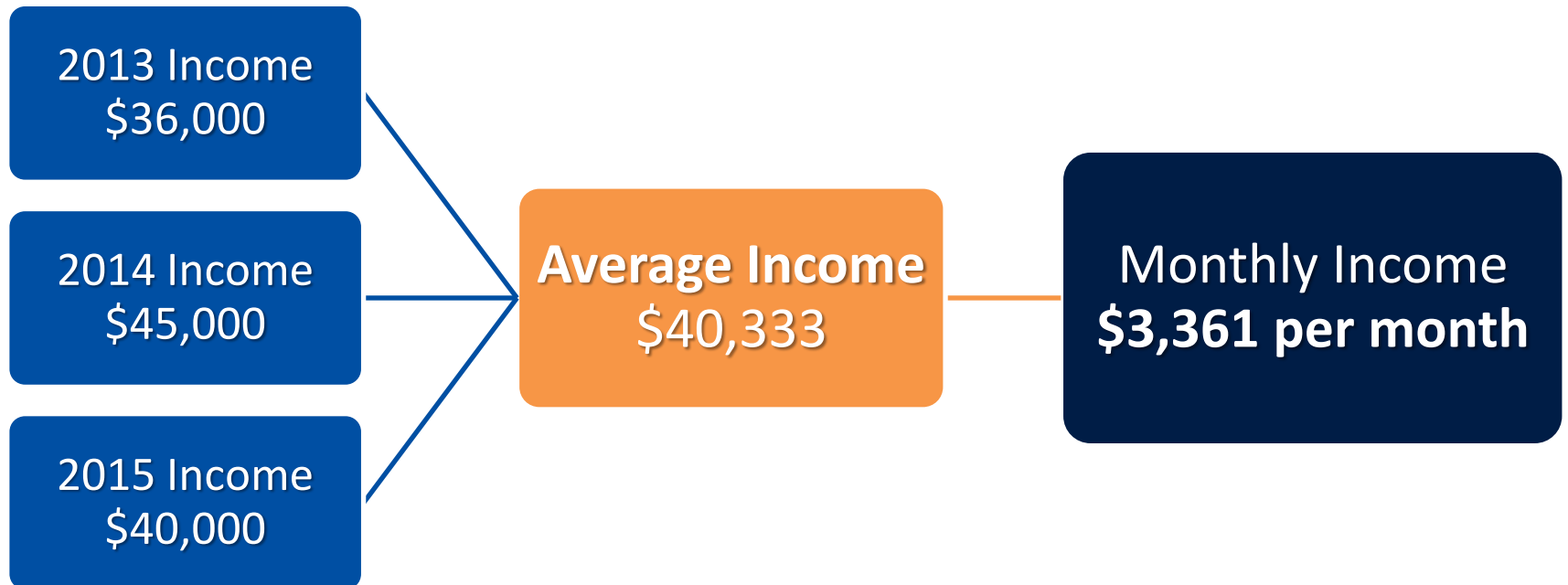
Average Income



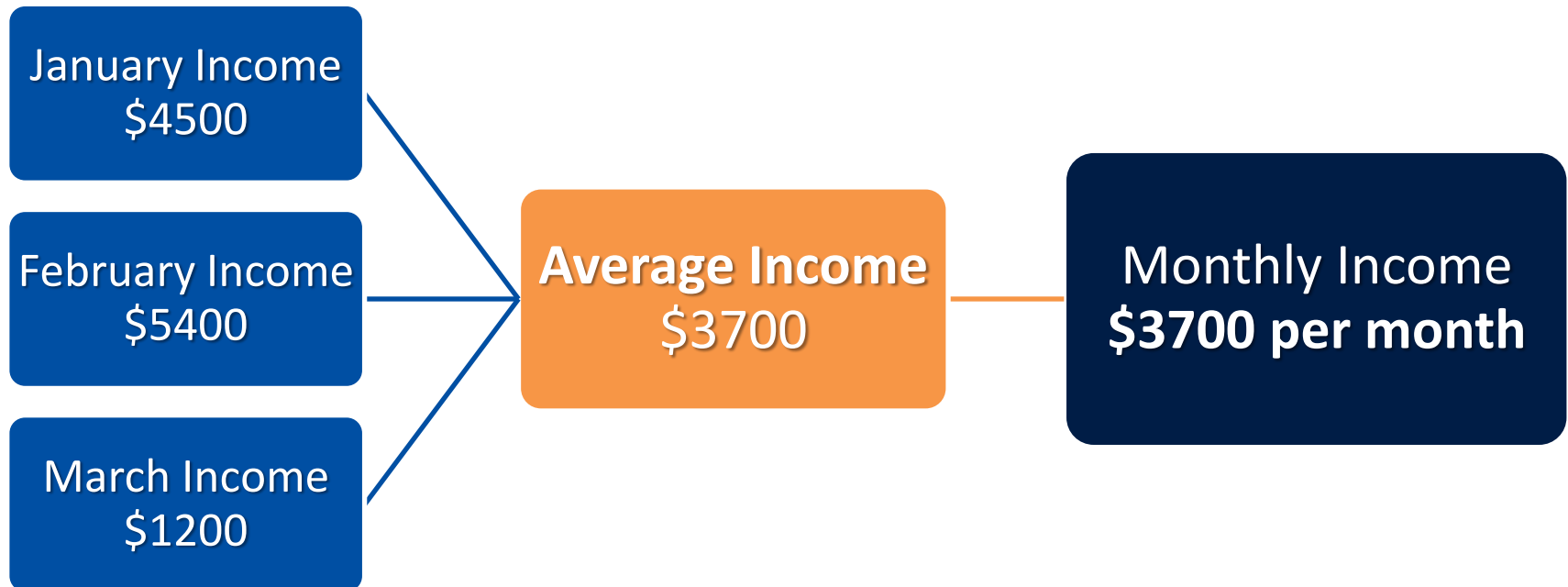
Key principles:

- For those who have income history to work from
- Pay yourself a regular monthly income
- Organized banking is a necessity
- Ensure personal and business expenses are separate

Average Annual Income



Average Monthly Income



Use a Holding Account

Organize your banking:

- All income goes to one account
- Pay yourself monthly from it
- Use the surplus to offset lower income periods





Holding Account

Income Deposited

- Jan = \$8000
- Feb = \$2000
- Mar = \$3500

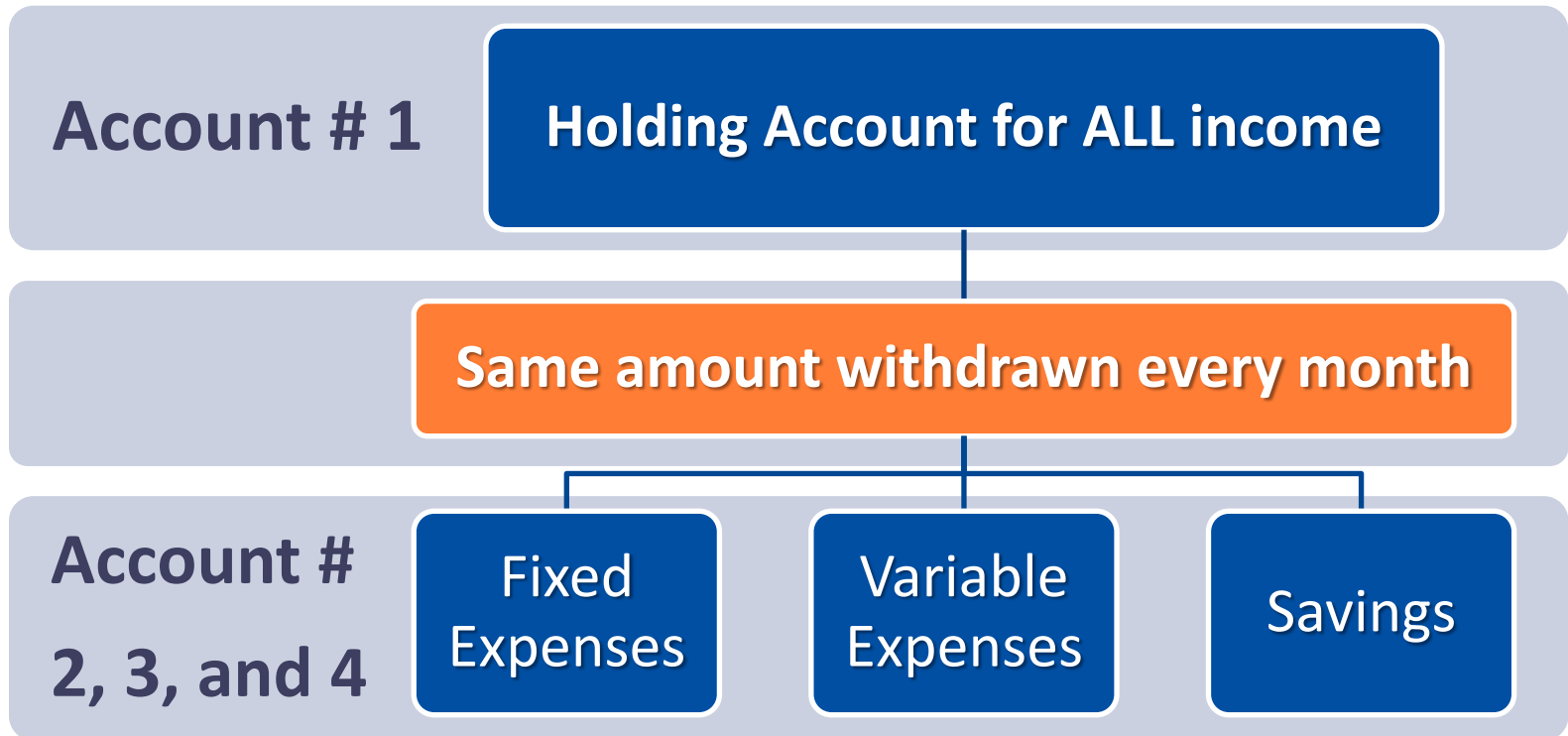
Monthly Withdrawal

- Jan = \$4000
- Feb = \$4000
- Mar = \$4000

Holding Account Balance

- Jan = \$4000
- Feb = \$2000
- Mar = \$1500

Organized Banking



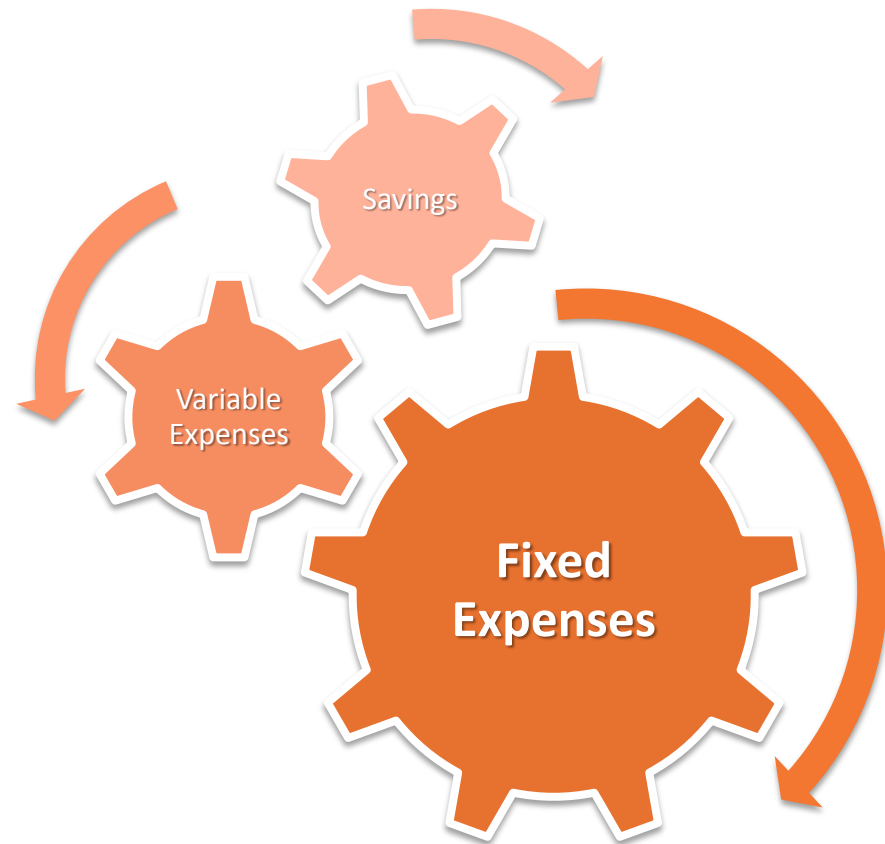
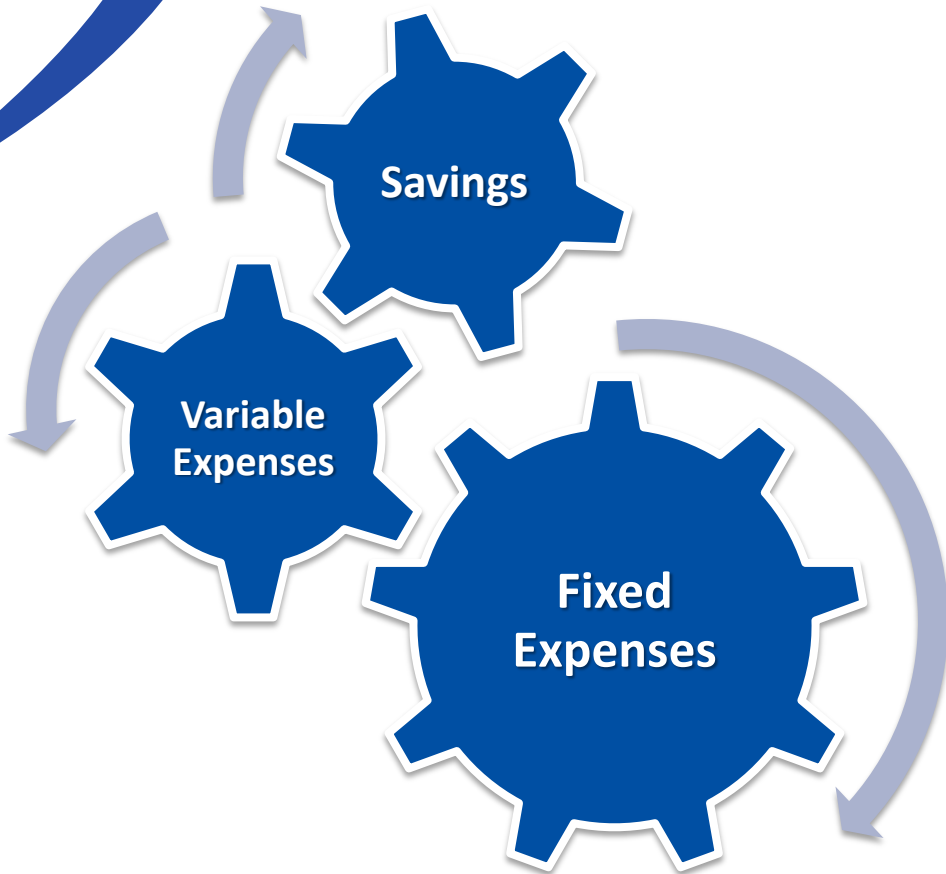
Two Budgets

Key Principles:

- For those who have seasonal or predictable changes in income
- Adjust your variable spending and savings contributions
- Avoid using credit in lean months



Two Budgets



Making Lean Work



Where you should adjust:

- **Food**

- Groceries

- Eating out

- **Entertainment**

Don't eliminate savings!

Savings



Savings will save you!

- Irregular expenses
- Emergency fund
- Taxes

Some Tips



- Be patient!
- Try, try again
- Track your spending
- Watch for lifestyle inflation
- Look at ways to stabilize income

Conclusion



Now you are able to:

- Identify the 5 steps in preparing a budget
- Describe your own money values
- Create a plan for dealing with irregular expenses
- Create a plan for dealing with irregular income

Homework

- Track expenses for the next two weeks. What behaviours will you identify?
- Add up all irregular expenses you will encounter in the next 12 months. Develop a plan for setting aside money to cover these expenses.
- Order credit report from Equifax and Transunion.

