

# BUDGETING MADE EASY



A free publication provided by  
The West Virginia State Treasurer's Office



Visit [www.wvtreasury.com](http://www.wvtreasury.com) or Call 1.800.422.7498

# BUDGETING MADE EASY

## WHAT YOU NEED TO KNOW



Learn how to successfully manage your money and avoid credit problems. This guide will give you money management techniques that can put you in control of your money and help you plan for a successful financial future.

## Budgeting Can Be Easy

We've created this guide with two purposes in mind:

- To help you create a successful budget and use it
- To give you proven strategies for avoiding too much debt

Making the most of your money can be tough, but without a budget, it is impossible.

Budgeting can be easy if you have the right tools and guidelines. Remember, now is a great time to learn how to create and live within a budget. The more you put off the budgeting process the longer you will be in financial chaos. If you don't learn to manage your money now, the headaches your debts create may stay with you for a long time.

## CREDIT CARD "COME-ONS"

### A COMMON TESTIMONIAL



As a freshman in college, all the different credit card companies that were soliciting their cards lured me in. At first I figured one credit card was good enough for me. I didn't have a real full-time job, but I made a little bit of money working as a tour guide.

The offers just kept coming in. Before I knew it, I had at least six cards under my belt and a burden of debt on my shoulders. Now as a mother of a one-and-a-half year old, my credit card debt has affected me greatly.

I'm unable to get a decent apartment or rent a house because of my credit. I'm unable to get loans. The harassment, threats of lawsuits, constant letters and bills have really taken a toll on my life. If I could change the past, I would.

I still have the credit card debt I created when I was a student and it will take me years to pay it off because of my current obligations. I hope I can help someone else with my experience. Credit card debt is just not worth years of headaches and rejection.

# MANAGING DEBT

You can't achieve financial freedom without budgeting. Why? Because people who can account for their money are in control of it. You can't run a business successfully without a business plan. And you can't successfully run your household without a budget.

Start this process by writing down your fixed monthly expenses like rent, car payments, and insurance. Then make a list of your flexible expenses like groceries, utilities, gasoline, and medical expenses. Finally, list discretionary expenses such as clothes, entertainment, etc. Make sure you don't leave anything out, including your morning cup of coffee and/or newspaper! The key is to include everything you spend money on. Look back over your check stubs or bank statement to see where you've been spending money.

**Use these suggested percentages for spending and see how your spending compares.**

Savings	10%
Housing	25%
Transportation	15%
Utilities	10%
Food	10%
Clothing	5%
Medical/Health	10%
Personal	5%
Entertainment	5%
Debts	5%



# Spending

## TIPS FOR SMART CREDIT CARD USE

- Shop around for the best credit card interest rate. Consider using one card for balances that you'll pay in full and another card with a low interest rate for times when you need to carry a balance. A list of credit cards is available at [www.cardtrak.com](http://www.cardtrak.com).
- Don't pay interest on items you don't really need, or for things that will be gone by the time you get your bill. Otherwise, it's like buying that item marked up instead of marked down!
- Read your credit card agreements and the correspondence you get from issuers. There may be important information in them. For example, credit card issuers can generally change your interest rate with only 15 days written notice – even on a card with a fixed rate.
- Always mail your payments for your credit cards at least 5 business days before the due date. Most credit card companies have steep late payment penalties. Also, your interest rate on new purchases as well as any current balance may be raised to a very high rate if you are late.
- If you pay your debts late, a late payment will likely be reported to the major credit bureaus and will stay on your credit report for seven years. Your other credit card issuers may raise your interest rates if they see you are falling behind on other accounts.
- Call your creditors if you can't make a monthly payment on time. Ask them about alternative payment arrangements that won't damage your credit or raise your interest rate.
- Notify your credit card issuer 30 days before you move, and don't assume that just because you didn't get a bill you don't have to pay it. If a bill doesn't arrive, call your card issuer or lender immediately.
- Try to pay off your total balance each month. Just paying the minimum is a trap. For example, if the minimum required pay-off on \$1,000 credit card debt with an 18% interest rate, it will take you more than 12 years to repay.
- Aim to keep your debt payments at less than 10% of your income, after taxes. If you take home \$750 a month, spend no more than \$75 a month on credit.

The key to managing credit is to not get trapped in the mindset of “I’ll buy now and pay later.” When you do borrow, you want to ask yourself how and when you’ll repay the debt – and how much it will cost you. Below is a Borrowing Worksheet that we have created. Use this to keep track of your debt and create a repayment schedule.

## BORROWING WORKSHEET

On this worksheet list your current loans or the loans that you are thinking about taking out. Calculate the cost of the expected loan payments before you borrow and compare it to your income and outstanding obligations.

Creditor Name	Interest Rate	Amount Owed	Monthly Payments	Loan Length	Cost of Interest
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$
	%	\$	\$		\$

Total average interest: % \_\_\_\_\_

Total amount: \$ \_\_\_\_\_

Total monthly cost: \$ \_\_\_\_\_

Total time to payoff: \_\_\_\_\_

Total spent on interest: \$ \_\_\_\_\_

# INCOME

The first step to creating your budget is to list all sources of monthly income, including gifts, bonuses, tax refunds, cost of living increases, allowances, etc. To tally your income, use the following Income Worksheet.

Income Sources	Weekly/Bi-Weekly Income	Monthly Income
Your Wages	\$	\$
Spouse's Wages	\$	\$
Part-Time Wages	\$	\$
Child Support	\$	\$
Alimony	\$	\$
Social Security Benefits	\$	\$
Veteran's Benefits	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Total	\$	\$

**TIP: Pay yourself first.** Set up a savings account and transfer 5% of your income into the account and try to forget about it. The extra money will come in handy when you need it!



# Budget

# EXPENSES

The next step is to list your expenses. Expenses are separated into three categories: “fixed,” “flexible,” and “discretionary.”

Credit card debt is considered a fixed expense because it usually remains the same each month. Use the following form to list your monthly credit card debt. List all major credit cards, department store credit cards, gas credit cards, and dining cards. When you are finished, total up the amount and transfer it to the appropriate column on the Fixed Expense Worksheet.

## Credit Card Debt Worksheet

Creditor Name	Interest Rate	Balance Owed	Monthly Payment
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$
	%	\$	\$

Total average interest of all cards: \_\_\_\_\_%

Total owed: \$ \_\_\_\_\_

Monthly payments: \$ \_\_\_\_\_

Use this sheet to list your Fixed Expenses. These items cost the same each month, i.e. rent, loans, car payments, etc.

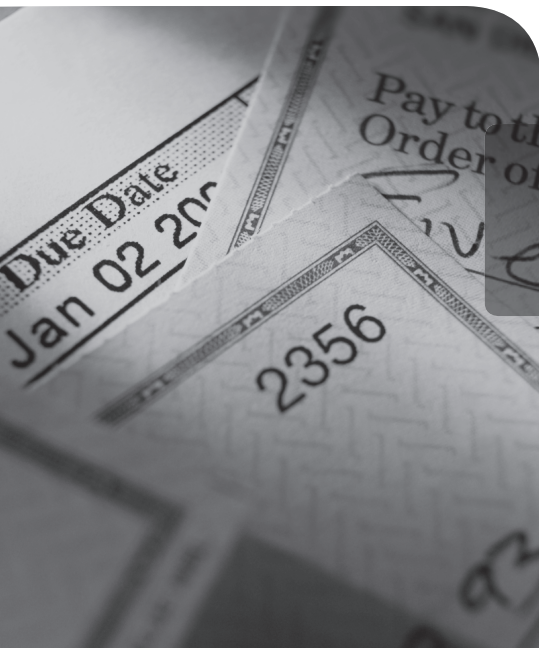
## Fixed Expenses Worksheet

Monthly Expenses	Current Payments
Mortgage/Rent	\$
Real Estate Taxes	\$
Homeowners Insurance	\$
Car Loans/Lease Payments	\$
Car Insurance	\$
Student Loans	\$
Alimony/Child Support	\$
Medical Insurance	\$
Credit Card Debt (total from Credit Card Worksheet)	\$
Other	\$
Other	\$
Total	\$

The next step is to list your Flexible Expenses. These expenses are ones where you control the amount of money you spend. Sometimes flexible expenses are items you need, like groceries, but you can control how much you spend on them by choosing less expensive items, shopping at discount stores, etc. Depending on your circumstances, a few of the items listed on the next page may fall into the Fixed Expenses Worksheet.

### Flexible Expenses Worksheet

Monthly Expenses	Current Payment	Adjusted Balance to Income
Telephone Bill	\$	\$
Electric/Gas/Oil/Fuel Bill	\$	\$
Cable TV Bill	\$	\$
Groceries	\$	\$
Household Supplies	\$	\$
School Supplies	\$	\$
Clothes	\$	\$
Dry Cleaning/Laundry	\$	\$
Savings (5% Starting Goal)	\$	\$
Other	\$	\$
Other	\$	\$
Total	\$	\$



# Expenses



Next list all of the other expenses not listed in the previous categories. We call these Discretionary Expenses. They are items that are not necessary for survival. If your expense to income ratio is out of balance and you are spending more money than you earn, items from this category should be eliminated or cut back.

### Discretionary Expenses Worksheet

Monthly Expenses	Current Payment	Adjusted Balance to Income
Recreation	\$	\$
Movies/Plays	\$	\$
Dining Out	\$	\$
Sporting Events	\$	\$
Magazines/Newspapers	\$	\$
Barber/Beauty Salon	\$	\$
Hobbies	\$	\$
Fund-raisers/Dues	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Total	\$	\$

### WHERE DO YOU STAND...

Now that you have compiled your income and expenses it is time to do the grand totals. All expenses are totaled and then subtracted from the total income figure for the month.

Next, divide total expenses by the frequency of income or the number of paychecks the household receives each month. This will tell you how much money to set aside each paycheck. If the expense total is greater than the income total, you are off track financially.

You must begin to prioritize expenses. Keep track of when you use credit cards. Then ask yourself if you want to borrow every month for these expenses. Each month, enough savings should be set aside to cover fixed and some flexible expenses. This reserve method will save you from living paycheck to paycheck. Review the spending-plan each income period to start. At the end of each month, compare actual expenses against what you budgeted. As time passes, you may want to only perform this comparison on a quarterly basis.

# END OF THE MONTH BUDGET ANALYZER

After the second month of using your budget, utilize this sheet to compare what you've actually spent and the amount you've budgeted. This will give you a clear picture of how realistic the amounts you budgeted are for each item and will allow you to be more accurate when doing your next monthly budget. Make enough copies so you can try this exercise each month until the end of the year.

<b>Expenses</b>	<b>Budgeted</b>	<b>Actual</b>
Mortgage/Rent	\$	\$
Electricity/Gas/Oil	\$	\$
Telephone	\$	\$
Car Payment	\$	\$
Insurance	\$	\$
Automobile Gas	\$	\$
Parking/Tolls	\$	\$
Bus/Train	\$	\$
Groceries	\$	\$
Supplies	\$	\$
Self Care	\$	\$
Toiletries	\$	\$
Clothing/Accessories	\$	\$
Dry Cleaning	\$	\$
Medical/Dental	\$	\$
Spiritual/Tithing	\$	\$
Therapy/Financial Counsel	\$	\$
Pets	\$	\$
Movies	\$	\$
Video Rentals	\$	\$
Concerts/Sporting Events	\$	\$
Dining Out/Take Out	\$	\$
Savings/Emergency Fund	\$	\$
Stock/Mutual Funds	\$	\$
Gifts	\$	\$
Periodicals/Magazines	\$	\$
Dues/Donations	\$	\$
Total	\$	\$

# CREDIT TIPS TO LIVE BY



- **Always remember that credit is a loan.** It's real money that you must repay.
- **Go slowly.** Get one card with a low limit and use it responsibly before you even consider getting another.
- **Shop around for the best deal.** Study your card agreement closely and always read the fine print flyers enclosed with every bill. Credit card offers vary substantially, and the issuer usually can change the terms at will with 15 days notice.
- **Try to pay off your total balance each month.** Just paying the minimum is a trap: If you pay off a \$1,000 debt with an 18% interest rate and just send in the minimum each month, it will take more than 12 years to repay.
- **Always pay on time.** A single slip-up will place a black mark on your credit record – and likely will cause your issuer to jack up your interest rate to the maximum.
- **Set a budget.** Follow it faithfully and watch how much you're paying on credit. A good rule of thumb is to keep your debt payments less than 15% of your net income after taxes. So if you take home \$2,000 a month spend no more than \$300 a month on credit.
- **Keep in touch with your issuer by notifying the company promptly when you move.** In the event you must be late on a payment, call them before it's late. They want your business for life, so they may be willing to make alternate payment arrangements that won't leave a mark on your credit rating.
- **At the first sign of credit danger, such as using one card to pay off another, make the card harder to use.** Only carry it when you plan to use it, otherwise, lock it up in an inaccessible place.

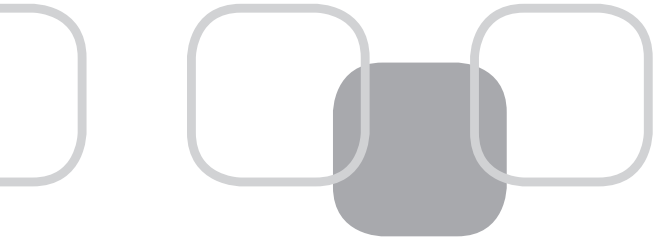
# ADDITIONAL RESOURCES



[www.tomorrowmoney.org](http://www.tomorrowmoney.org)

[www.consumercredit.com](http://www.consumercredit.com)

[www.mymoney.gov](http://www.mymoney.gov)





We thank the Consolidated Credit Counseling Services, Inc. and their Education Director, Gerri Detweiler, who compiled the text for this booklet and gave the West Virginia State Treasurer's Office permission to use the enclosed information.



Funding provided by the West Virginia Financial Education Foundation

# meet ELLIS

Charleston, WV

Currently pursuing a  
degree in culinary arts

See how \$50 is helping Ellis' and other children's  
dreams come true at [SMART529.com](http://SMART529.com)

## ENROLL NOW

Invest Directly:

Call 877-767-8529 toll free  
Go online [www.SMART529.com](http://www.SMART529.com)

Invest through a Financial  
Investment Professional:

Contact a local bank or investment firm.

Bright futures begin with  
**SMART Savings.**



You should carefully consider the investment objectives, risks, and charges and expenses of SMART529 and its Underlying Funds before investing. This and other information can be found in the Offering Statement for SMART529 and the prospectuses or other disclosure documents for the Underlying Funds, which can be obtained by calling (866) 574-3542. Please read them carefully before you invest or send money.

Investments in SMART529 are not guaranteed or insured by the State of West Virginia, the Board of Trustees of the West Virginia College Prepaid Tuition and Savings Program, the West Virginia State Treasurer's Office, Hartford Life Insurance Company, The Hartford Financial Services Group Inc., the investment sub-advisors for the Underlying Funds or any depository institution and are subject to investment risks, including the loss of the principal amount invested, and may not be appropriate for all investors.

SMART529 Investment Options are distributed by Hartford Securities Distribution Company, Inc. Member SIPC.

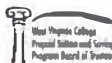
The information is written in connection with the promotion or marketing of the matter(s) addressed in this material. The information cannot be used or relied upon for the purpose of avoiding IRS penalties. These materials are not intended to provide tax, accounting or legal advice. As with all matters of a tax or legal nature, you should consult your own tax or legal counsel for advice.

If you reside in or have taxable income in a state other than West Virginia, you should consider whether your state has a qualified tuition program that offers favorable state income tax or other benefits exclusive to your state's program that are not available under the SMART529 program.

\*The Hartford® is the Hartford Financial Services Group, Inc. and its subsidiaries.



Office of State Treasurer



SMART529 is a program of the West Virginia College Prepaid Tuition and Savings Program Board of Trustees and is administered by Hartford Life Insurance Company.