



SETTING UP YOUR BUDGET



If you've ever filed your income tax and wondered where all the money went, you're not alone. Setting up and sticking with a budget is an important exercise to get a clearer picture of where your money is going and ensuring you are living within your means. It will also help significantly if you have debt to pay off. Being able to set aside funds for debt repayment and an emergency fund will go a long way to giving you peace of mind and control over your finances.

There are many ways to set up a budget, from templates available online to paper and pencil. Try out different ones to see which fits best. Whichever method suits your needs is the best one to go with. Figure out general categories for expenses, like groceries/personal care, car loan, bank fees, hobbies/entertainment, restaurants/take-away, etc. Some expenses will be variable such as groceries or entertainment; others are fixed - the same amount is paid each month - think mortgage, property tax, insurance.

Gather monthly bills, credit card/loan/line of credit payments, expenses including groceries, entertainment, personal care, etc. For expenses like groceries, debit purchases, etc. - get these from your monthly bank statements. Record expenses under their appropriate category. Be sure to include *savings and an emergency fund* - ideally 3-6 months' worth of expenses in case there's an interruption in income. Take an average of each category - having at least 4 months of expenses will give you a good idea of what you are spending on average. Here are some categories to get you started:

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| • Mortgage & Property tax/Rent | • Transportation | • Pet(s) |
| • Insurance - Home, Life, Vehicle | • Prescriptions/Dental/Medical | • Clothing |
| • Utilities | • Groceries/Personal Care | • Hobbies/Gifts |
| • Cell Phone(s) | • Personal Care | • Charitable Giving |
| • Internet/Cable/Streaming | • Restaurant/Take Away | • Bank Fees |



Record your monthly income from all sources - if your income varies, take an average like you did for expenses. Alternatively, you can use the lowest amount of monthly income.

Once you have recorded all your information, calculate the average of your monthly income and expenses for each general category. To calculate your weekly budget, take your monthly amounts and multiply by 12, then divide by 52. This is your weekly budget for spending on groceries, gifts, gas, etc. Calculate whether or not you are living within your means by taking your *average total monthly income* minus your *average total monthly expenses*. If the amount is negative, look at your variable expenses to see where you can reduce spending to bring your expenses in line with your income. Consider also if you can generate additional income to offset your expenses.

If you would like an Excel version of a budget that does all the calculations for you, send us a note using the Contact Form on our website, requesting the Excel Budget Template and we'd be happy to send it your way! For any investing or advice beyond simple budgeting, please speak with a certified financial advisor.

“THERE IS NO DIGNITY QUITE SO IMPRESSIVE, AND NO INDEPENDENCE QUITE SO IMPORTANT AS LIVING WITHIN YOUR MEANS.”

-CALVIN COOLIDGE



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