MECU

BEGINNER'S GUIDE TO LEARNING

BUDGETING

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Series 2

BUDGETING

WHAT IS A BUDGET?

A budget generally means a plan you write down to decide how you will spend your money each month and helps you make sure you will have enough money every month. Without a budget, you might spend too much in one area and run out of money before your next paycheck.

STEPS TO CREATE A BUDGET

- Use your net income (this is the amount that is left after taxes are taken out) from your paycheck or other sources of income
- Track your spending
- Set goals for what you will spend and save
- Adjust your spending to stay on budget
- Review budget regularly

CALCULATING INCOME

It is very important when you are figuring your income to use your net income. This means what you would bring home after taxes, insurance plans, retirement, etc., are taken out. This is the income you will actually have to spend for the month. If you use your gross income that could lead to overspending.

TRACKING SPENDING

After determining how much income you have coming in, it is time to figure out where it's going. If you start tracking and putting your expenses in different categories, this will help determine what you are spending the most money on and where there might be potential to save. Start with listing fixed expenses. These are your regular monthly bills that do not change, such as, rent/mortgage, car payments, utilities, etc. Next, you will list your expenses that vary from month to month, such gas groceries, gas, clothing etc.

SET GOALS

Make a list of goals, both short-term and long-term. Short-term goals generally should take one to three years to acheive. This could be paying down on debt that you have or getting an emergency fund saved up. Long-term goals may take decades to reach. This could be saving for retirement or a child's college fund.

MAKE A PLAN

This is where you start putting things together Actual spending vs. what you want to spend. Look at your spending to get an estimate for what you will spend in the coming months for different categories. Compare this to the net income you figured and set priorities. It may also help to set realistic spending limits for each expense.

ADJUST TO STAY ON BUDGET

Now that you have everything down on paper, you can make adjustments as necessary. This will help you to not overspend and have money to put towards your goals. If you need to cut back, start by looking at "wants" and adjust as needed. If you still need to make adjustments, you may need to look at your fixed expenses. For instance you could possibly save by shopping for a lower interest rate on a loan or a less expensive insurance premium.

REVIEW YOUR BUDGET REGULARLY

Once you have your budget set, it is very important to review it to make sure you are staying on track. Your expenses may change, you could get a raise, or maybe you have reached one of your short-term goals and need to adjust to focus on a new goal.

THE 50/20/30 BUDGET

This helpful budgeting method breaks down what percentage you should have for different catergories.

- 50% of net income to needs
- 20% of net income to savings
- 30% of net income to wants

PAY YOURSELF FIRST

In this budget method, the first "bill" you pay each month is to your savings account. You would transfer a pre-determined amount into your savings at the beginning of the month or each time you get paid. After that, you should pay your bills.

ZERO-BASED BUDGET

In this budget method, every single dollar of your income is assigned to a specific expense, which leaves you with a balance of zero. This requires you to anticipate all of your upcoming expenses, so that you can allocate your income to the appropriate expenses.

ENVELOPE BUDGET

In this budget method, you put specific amounts of your money into envelopes (physically with cash or electronically with an app or spreadsheet), which will represent different budget categories. Once the funds are gone from an envelope, you can no longer spend within that budget category until the next month or pay period.

BUDGET EASILY WITH AN APP

There are several phone apps that can help you with creating a budget. WIth the app, you can track income and expenses electronically, so that you have it with you at all times to reference.

- Mint®
- QuickBooks®
- NerdWallet®
- You Need a Budget (YNAB) ®
- PocketGuard®
- Zeta®
- Empower®

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Budget

Monthly income	**Amount**
Net income (After-tax salary or wages)	
Any additional income (rental, financial aid, self-employment, alimony, child support, pension, etc.)	
Total	**$**

Expenses	
Needs (monthly)	**Amount**
Mortgage/Rent	
Homeowners' or renters' insurance premiums	
Property tax (if not already included in the mortgage payment)	
Auto insurance premiums	
Health insurance premiums (if not taken out of paycheck)	
Out-of-pocket medical costs	
Life insurance premiums	
Electricity and natural gas bill	
Water/trash bill	
Groceries, toiletries and other essentials	
Car payment	
Parking and registration fees	
Car maintenance and repairs	
Gasoline	
Phone bill	
Internet bill	
Minimum student loan payments	
Other minimum loan payments	
Child support or alimony payments	
Other	
Total spent on needs	**$**

Wants (monthly)	Amount
Clothing, jewelry, etc.	
Dining out	
Movie, concert, and event tickets	
Gym or club memberships	
Travel expenses (airline tickets, hotels, rental cars, etc.)	
Cable or streaming packages	
Home decor items	
Other	
Total spent on wants	$

Savings and debt repayment (monthly)	Amount
Emergency fund contributions	
Savings account contributions	
Individual retirement account contributions	
Other investments	
Credit card payments	
Additional principal payments on student loans	
Additional principal payments on mortgage	
Other	
Total spent on savings and paying off debt	$

Total expenses	$
Income remaining	$

THE BOTTOM LINE

A budget helps create a spending plan that takes into account expected income and expenses for a specified period of time. It can bring you one step closer toward financial security. Creating and sticking to a budget can keep your spending in check and assure that you have a savings for emergencies and longer-term goals. The key is to stay consistent and plan for the future, such as retirement.

CONTACT US TODAY TO GET YOUR MEMBERSHIP STARTED WITH

MECU

Municipal Employees Credit Union of Oklahoma City
Ph. 405-813-5500

Branches located at:
Downtown Branch- 101 N. Walker Ave., Oklahoma City, OK 73102
South Branch- 8812 S. Walker Ave., Oklahoma City, OK 73139
North Branch- 1201 NW 178th St. Ste 113, Edmond, OK 73012
Council Branch- 9012 N. Council Rd., Oklahoma City, OK 73132