

PNC **Financial Education**
FINANCIAL OPS
Banking Solutions for Military Personnel



BUDGETING: SELF STUDY GUIDE

BUDGETING

A budget is a tool that helps you keep track of your money. It is a written plan showing how much money you expect to come in and go out over a period of time, and when exactly you expect it to happen. If the idea seems stuffy and rigid, think of it as a spending plan. When you understand what's happening with your money, you can make good choices about spending and saving, and be ready for whatever comes your way.

Start by asking yourself three simple questions:

What's coming in?

Make a list of all your income sources over the course of a month and add up the total. These could include wages, government benefits, pension income, alimony or child support, and interest and dividends on investments. As a member of the military, you may receive special pays or allowances for food and housing, depending on your circumstances. Be sure to include these in your income, as much as you can plan for them.

What's going out?

Next, list your expenses, like housing, food, transportation, child care and other day-to-day spending, and add up the total. If you currently live on base, some of these expenses may be taken care of, which may mean you have more room in your budget for saving or paying down debt, depending on your needs.

As you consider your expenses, it can help to think of them as fixed or variable. Fixed expenses are those that stay the same every month, like a fixed-rate mortgage or car payment, insurance and utility bills. On the other hand, variable expenses, like groceries, clothing, entertainment and credit card payments, can change from month to month. For these, you may want to estimate the amount you spend at first, then adjust after you've had a chance to track your actual spending.

TIP: It may sound old-fashioned, but consider keeping a written log of your expenses to help avoid underestimating the amount you spend. It's important to be as accurate as possible so you can set realistic spending goals for yourself.

What's the difference?

Your last step in budgeting is to subtract your expenses from your income. If the difference is positive, you're meeting your expenses, with money left over to spend or save. If it's negative, you're spending more than you bring in, so you may want to rethink your choices.

The bottom line is that, with a budget, you can take charge of your spending and make sure you always have enough money for the things you need and want. But, let's take this idea a step further. Just because you have extra money doesn't mean you always need to spend it. Consider setting aside a portion of your budget for saving. Even small amounts can add up over time, helping you to prepare for future needs and wants, like a car, home or even retirement.

CHECKING ACCOUNTS

Another tool that can help you control spending is a checking account. A checking account is a service offered by a bank where the bank holds your money and you access it to pay your bills or make purchases.

When you use your checking account, you have a record of your payments, which you can use to track and then analyze your spending habits. For example, if you add up all of your food expenses, it may show that you need to budget more or manage these expenses more closely, to stay aligned with your spending plan. Your monthly statement or online banking can help you with this process. On the other hand, if you just use cash, you may spend it without realizing where your money is going.

Tips for managing your checking account

- **Record all transactions when they happen.** You can use the transaction register that comes with your account, or another method that works for you. In addition, save your receipts so that you can double check your monthly statement for accuracy.
- **Consider money “spent” right away.** Remember that some transactions take time to process. For example, checks may still be with the mail, or retailers may need a day or two to process your payments. To make sure you don't spend money twice, consider it “spent” when you write your check or swipe your card for payment. This can help you avoid overdrafts and associated fees.

ANALYZE A BUDGET

Directions: Use a budget worksheet to set up Joshua's budget and compare it to his actual income and expenses. Then, think about how you might adjust Joshua's spending to help him meet expenses and save for the future.

Planned income and expenses

Joshua is single, has served full time in the military for the last two years and lives on base, which means his basic housing and food is covered. His net monthly income is \$1,850.

Fixed monthly expenses:

- \$300 for car payment
- \$230 for car insurance
- \$50 for Internet hotspot (for his laptop)
- \$70 for cell phone

Variable monthly expenses:

- \$150 for car expenses (gas, parking tolls, etc.)
- \$75 for clothes
- \$150 for eating out and other entertainment
- \$75 for personal expenses (haircuts, medicine, gifts for family, etc.)
- \$500 (to save for his future)
- \$250 for credit card payments

[totals: \$1,850 income and \$1,800 expenses]

Actual income and expenses

1. Joshua's income and fixed expenses were as planned.

2. Here's what he spent on flexible expenses:

- \$200 for car expenses (he took a weekend trip to a nearby city)
- \$180 for a new pair of jeans and jacket
- \$300 for eating out and other entertainment (includes spending on his weekend trip)
- \$96 for personal items (includes haircut, daily spending and a birthday present for his mother)
- \$400 for savings
- \$250 for credit card payments

3. Joshua needed to make some unexpected car repairs this month, totaling \$230.

[totals: \$1,850 income and \$2,076 expenses]

JOSHUA'S BUDGET WORKSHEET

INCOME	PLANNED	ACTUAL	DIFFERENCE
Job 1:	_____	_____	_____
Job 2:	_____	_____	_____
Other: _____	_____	_____	_____
Other: _____	_____	_____	_____
Total Income:	_____	_____	_____
EXPENSES			
Fixed:			
Mortgage or Rent	_____	_____	_____
Car payment	_____	_____	_____
Insurance (car, home, health)	_____	_____	_____
Utilities	_____	_____	_____
Taxes.....	_____	_____	_____
Childcare	_____	_____	_____
Tuition.....	_____	_____	_____
Phone/Internet	_____	_____	_____
Television/Cable.....	_____	_____	_____
Other: _____	_____	_____	_____
Variable:			
Food.....	_____	_____	_____
Transportation (gas, public transportation)	_____	_____	_____
Medical expenses	_____	_____	_____
Clothing	_____	_____	_____
Entertainment	_____	_____	_____
Personal expenses	_____	_____	_____
Charitable Giving	_____	_____	_____
Credit card payments	_____	_____	_____
Other: _____	_____	_____	_____
Total Expenses:	_____	_____	_____
TOTAL INCOME	_____	_____	_____
TOTAL EXPENSES	_____	_____	_____
DIFFERENCE	_____	_____	_____

How did Joshua do?

1. What is the difference between Joshua's planned and actual expenses?

2. In what areas did he spend more than he planned?

3. In what areas did he spend less?

4. What's the long-term impact of Joshua's decision to put less into savings this month?

5. How could Joshua cover his extra spending?

What would you do if this were your budget?

1. Thinking about what's important to you, in what areas would you choose to trim spending?

2. Are there any areas where you would increase spending?

3. How could you increase your income?

4. How much would you save each month toward personal and financial goals?
How could you make that happen?

BUDGET WORKSHEET

Directions: Use this form to set up a personal budget. After you've completed your planning, track your actual income and expenses over the course of one month, and compare it to your plan. Rework your budget as needed to better match your spending to your needs and wants.

	PLANNED	ACTUAL	DIFFERENCE
INCOME			
Job 1:	_____	_____	_____
Job 2:	_____	_____	_____
Other:	_____	_____	_____
Other:	_____	_____	_____
Total Income:	_____	_____	_____
EXPENSES			
Fixed:			
Mortgage or Rent	_____	_____	_____
Car payment	_____	_____	_____
Insurance (car, home, health)	_____	_____	_____
Utilities	_____	_____	_____
Taxes.....	_____	_____	_____
Childcare	_____	_____	_____
Tuition.....	_____	_____	_____
Phone/Internet	_____	_____	_____
Television/Cable.....	_____	_____	_____
Other.....	_____	_____	_____
Variable:			
Food:.....	_____	_____	_____
Transportation (gas, public transportation)	_____	_____	_____
Medical expenses	_____	_____	_____
Clothing	_____	_____	_____
Entertainment	_____	_____	_____
Personal expenses	_____	_____	_____
Charitable Giving	_____	_____	_____
Credit card payments	_____	_____	_____
Other	_____	_____	_____
Total Expenses:	_____	_____	_____
TOTAL INCOME	_____	_____	_____
TOTAL EXPENSES	_____	_____	_____
DIFFERENCE	_____	_____	_____

