



# Budgeting

Stockton Peer Financial Education Program:

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## Budgeting 101 Outline

- Developing a budget
- Debt repayment
- Saving



## What is a Budget?

- A money management tool
- Allocates spending for different expenses
- Provides control over where your money is going
- Allows spending to be tracked easily
- Summarizes income and expenses for a set period of time, generally one month

## What is in a Budget?

- Income from all recurring sources; paychecks, bonuses, etc.
- A dedicated line for each type of expense; rent, groceries, utilities, etc.
- Planned savings (short-term/long-term)
- Strategic debt repayment



# January

✓ It's an EveryDollar Budget!

Accounts Transact

## Budget

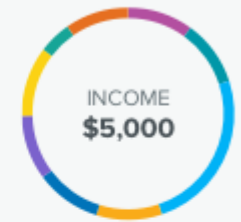
- Baby Steps
- Local Providers
- Financial Peace

| INCOME for January           | Planned           | Received      |
|------------------------------|-------------------|---------------|
| Paycheck 1                   | \$2,500.00        | \$0.00        |
| Paycheck 2                   | \$2,500.00        | \$0.00        |
| <a href="#">+ Add Income</a> | <b>\$5,000.00</b> | <b>\$0.00</b> |

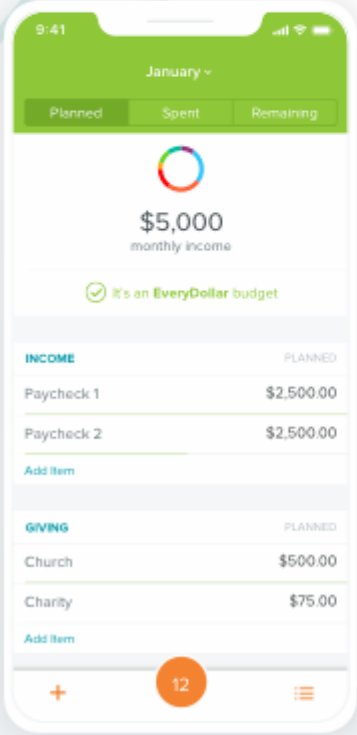
| GIVING                     | Planned  | Remaining |
|----------------------------|----------|-----------|
| Charity                    | \$500.00 | \$500.00  |
| <a href="#">+ Add Item</a> |          |           |

| SAVINGS                    | Planned  | Remaining |
|----------------------------|----------|-----------|
| Emergency Fund             | \$600.00 | \$600.00  |
| <a href="#">+ Add Item</a> |          |           |

| HOUSING       | Planned    | Remaining  |
|---------------|------------|------------|
| Mortgage/Rent | \$1,250.00 | \$1,250.00 |
| Electricity   | \$100.00   | \$100.00   |



|                | PLANNED | SPENT | REMAINING        |
|----------------|---------|-------|------------------|
| Giving         |         |       | \$500.00 (10%)   |
| Savings        |         |       | \$500.00 (10%)   |
| Housing        |         |       | \$1,250.00 (25%) |
| Transportation |         |       | \$500.00 (10%)   |
| Food           |         |       | \$520.00 (10%)   |
| Personal       |         |       | \$480.00 (10%)   |
| Lifestyle      |         |       | \$520.00 (10%)   |
| Health         |         |       | \$250.00 (5%)    |
| Insurance      |         |       | \$480.00 (10%)   |
| Debt           |         |       | \$0.00 (0%)      |



Migration Demo 1 ▾

⏪ JAN 2016 ▾ ⏩  
Enter a note...

**\$0.00**  
To be Budgeted

+ \$1,000.00 Funds for Jan  
- \$0.00 Overspent in Dec  
- \$1,000.00 Budgeted in Jan  
- \$0.00 Budgeted in Future

???  
Age of Money

✉ Budget

🏠 All Accounts

• BUDGET \$490.00  
Checking \$890.00  
Visa **-\$400.00**

⊕ Add Account

⊕ Category Group

| CATEGORY                                         | BUDGETED | ACTIVITY  | AVAILABLE |
|--------------------------------------------------|----------|-----------|-----------|
| ▼ Credit Card Payments                           | \$0.00   | \$0.00    | \$0.00    |
| <input type="checkbox"/> Visa                    | \$0.00   | \$0.00    | \$0.00    |
| ▼ Giving                                         | \$0.00   | \$0.00    | \$0.00    |
| <input type="checkbox"/> Tithing                 | \$0.00   | \$0.00    | \$0.00    |
| <input type="checkbox"/> Charitable              | \$0.00   | \$0.00    | \$0.00    |
| ▼ Monthly Bills                                  | \$900.00 | \$0.00    | \$900.00  |
| <input type="checkbox"/> Rent/Mortgage           | \$500.00 | \$0.00    | \$500.00  |
| <input type="checkbox"/> Phone                   | \$100.00 | \$0.00    | \$100.00  |
| <input type="checkbox"/> Internet                | \$100.00 | \$0.00    | \$100.00  |
| <input type="checkbox"/> Cable TV                | \$100.00 | \$0.00    | \$100.00  |
| <input type="checkbox"/> Electricity             | \$100.00 | \$0.00    | \$100.00  |
| <input type="checkbox"/> Water                   | \$0.00   | \$0.00    | \$0.00    |
| <input type="checkbox"/> Natural Gas/Propane/Oil | \$0.00   | \$0.00    | \$0.00    |
| ▼ Everyday Expenses                              | \$100.00 | -\$110.00 | -\$10.00  |
| <input type="checkbox"/> Groceries               | \$100.00 | -\$110.00 | -\$10.00  |
| <input type="checkbox"/> Fuel                    | \$0.00   | \$0.00    | \$0.00    |
| <input type="checkbox"/> Spending Money          | \$0.00   | \$0.00    | \$0.00    |
| <input type="checkbox"/> Restaurants             | \$0.00   | \$0.00    | \$0.00    |

TOTAL BUDGETED  
**\$1,000.00**

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TOTAL ACTIVITY  
**-\$110.00**

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TOTAL AVAILABLE  
**\$890.00**

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TOTAL INFLOWS  
**\$1,000.00**

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QUICK BUDGET

Underfunded: \$10.00

Budgeted Last Month: \$0.00

Spent Last Month: \$0.00

Average Budgeted: \$0.00

Average Spent: \$0.00

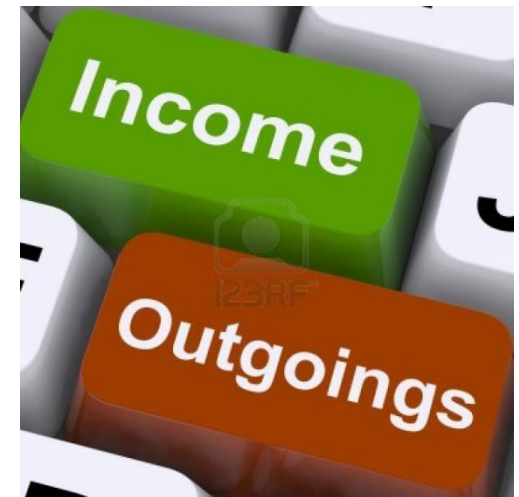






## How to Develop a Budget

- Review income
- Analyze spending
- Bottom line: compare all expenses with your income
- Adjust budgeted spending to be  $\geq$  total income





## Considerations for Creating Your Budget

- Account for fluctuations in bills, e.g. electric and/or gas by season
- Are certain expense due quarterly?
  - property taxes, water/sewer, for example
- Have I included planned savings
- Do you have a strategy for paying off debt?

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## Savings

- **Should be made on a schedule**  
Budget a set monthly amount as if it were an expense
- **Short-term: For large purchases**  
Vacations, down payment on a car, new television, etc.
- **Medium-term: Emergency fund equal to 3-6 months of expenses**  
Funds to be used during job loss, major medical expense, etc.
- **Long-term: retirement**

## Contributions to Charity

- Giving is a good thing, but needs to be accounted for
- Build monthly for contributions made annually; set aside  $1/12^{\text{th}}$  of the annual amount each month
- Consider automatic deductions
- Many charitable contributions are tax deductible (if itemizing)

## Debt Repayment

- **Monthly payments included in budget**  
Monthly payments should always be made on time, or your credit/score could be negatively affected
- **Budget for paying additional principal**  
Don't just pay the minimum balance on your credit card, student loans, etc.  
If possible, allocate an additional monthly amount beyond the required payment

## Debt Repayment, cont.

- Determine your strategy for paying off debt
  - Highest interest first (avalanche) or lowest amount first (snowball)
- Include debt repayment strategy in budget
  - Once a strategy is decided on, determine the monthly amount the budget can support
- Prioritize: savings vs. debt?

# Evaluating Your Expenses



- Does each line have a reasonable allocation?
  - For the budget to work each spending category needs to have an achievable monthly amount
- Compare budget and actual - is spending consistently more than is budgeted?
  - Can spending be reduced? Can income be increased?
  - If spending is consistently over, is it across the budget or just one area?
- Make adjustments as necessary
  - Increase/reduce line items to reflect actual spending patterns

## Your Budget is a Working Document

- Periodic changes are necessary
- Make changes for increase/decrease in income
  - Starting a new job, reduction in hours at work, etc.
- Make adjustments for changes in spending patterns
  - Cook more instead of eating out, change in mode of transportation, etc.
- Make modifications for major life experiences
  - Marriage, children, move to a different city, buy a house, etc.



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## Online Resources

- **EveryDollar** - Free, with Plus version for an annual fee  
<https://www.everydollar.com/>
- **Mint** - brings all your financial accounts to the same place.  
<https://www.mint.com/>
- **YNAB** – Free first year for students. Mobile access to your budget  
<https://www.youneedabudget.com/>
- **Free annual credit report**  
[www.annualcreditreport.com](http://www.annualcreditreport.com)

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