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DEVELOPING A BUDGET

Your budget

A budget is your own personal money plan. It will help you determine how much money you earn, how much you spend, where you can reduce spending, and how much you can save for the future.

Developing a budget will help you:

- Start an emergency fund
- Pay bills on time to avoid late fees
- Pay off debt
- Save for a college education
- Buy a house

5 Steps for making a budget

Step 1: Add up your monthly income including wages, bonuses, commissions, investment dividends, and so on.

Step 2: Track your monthly expenses.

- Fixed expenses – costs that always occur and don't vary in amount, i.e. rent/mortgage, student loans, car payments, insurance premiums, etc.
- Variable expenses – costs that occur regularly but vary in amount, i.e. car repairs, holidays, utilities, groceries, etc.
- Discretionary expenses – Indulgences, i.e. concert tickets, restaurants, etc.

Step 3: Calculate and record monthly expenses. Use a budget book, computer software, or budget form.

Step 4: Compare your monthly income to your monthly expenses.

Step 5: Evaluate and adjust your expenses.

TRY THIS!

Use the “Step Down” method and cut back slowly on unnecessary expenses. If your family has a tradition of going out to a movie and dinner every week, try renting a movie

and eating homemade popcorn instead.

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For more information, visit <http://www.AmericaSaves.org>

After you make a budget . . .

Organize Your Important Papers

- Make temporary/annual files that contain records and information accumulated throughout the year.
- Make permanent files that are not often used but are important.
- Discard files and papers that are unnecessary!

What to Keep:

- Bank statement: 6 years
- Canceled checks: 6 years
- Contracts: Updated
- Home purchase: As long as you own the home
- Investment records: 7 years/
Permanently
- Loan agreements: Until paid
in full
- Real estate deeds: Until
transferred
- Service contracts & Warranties:
Until expired
- Tax returns: 7 years
- Vehicle titles: As long as you
own the car
- Will: Updated
- Insurance records: Yearly

Make a Binder Containing:

- Personal directory
- Professional directory
- Personal property inventory
- Net worth statement
- Budget/special expenses
- Loan documents
- Income tax forms
- Rental or lease agreements
- Insurance policies
- Social Security benefits statement
- Birth certificates, social security
cards and credit report

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