

FINANCIAL BUILDING BLOCKS BY HUB

Budgeting



For many people, days are taken up with work, friends, family and the energy and activities required just to manage your life. There never seems to be enough time to focus on your financial life. However, developing a budget can help you achieve true financial health. The following 6-step process can help you build a budget that works for your life, so you don't have to worry about falling short of your financial goals.

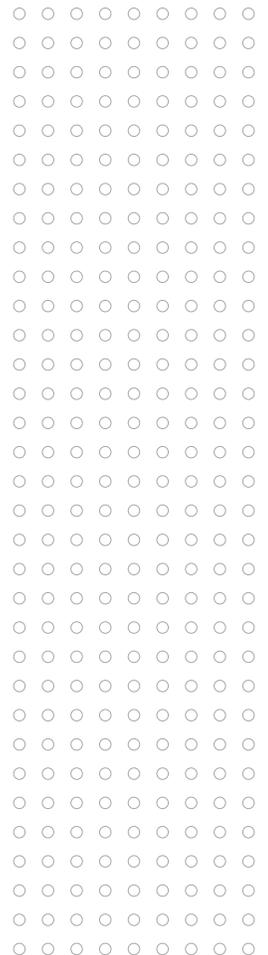
Step 1: Define Your Goals

Take the time to think about your financial goals and actually write them down. Examples include building up an emergency fund, saving for a new car or home, starting a college education fund for a child, or increasing your retirement savings by 1% a year. Make sure the goals are measurable, so include the actual dollar amounts and time frames for reaching the goals. Here are some examples of measurable financial goals:

- Have a \$1,000 emergency fund built up in 10 months.
- Pay off \$5,000 credit card debt in 18 months.
- Increase retirement plan contribution rate by 1% before the end of the year.
- Open a 529 college savings account with automatic monthly contribution of \$50 within six months.



Divide the dollar amount by the number of months in your time frame to figure out your monthly goal. If your goal is to build up a \$1,000 emergency fund in 10 months, your monthly goal is \$1,000 divided by 10, which equals a \$100 monthly contribution to the fund.





Step 2: Know Your Income

Before you can establish a budget, you have to know exactly how much money you have coming in every month from your employer and other sources. Make sure to include only the money you actually receive (for example, the exact amount of your net paycheck, not your gross pay before taxes and other deductions).

Step 3: Total Your Monthly Expenses

You can't budget until you know how much money you're spending each month. When figuring out your monthly expense number, be sure to include the following:

- Groceries
- Student loan payment
- Credit card payments(s)
- Cable/streaming apps
- Rent or Mortgage
- Car loan payment
- Cell phone service
- Entertainment/eating out



Also remember to include occasional expenses such as doctor and dentist visits as well as car and other insurance payments. It's also important to look through past bank and credit card statements to get a realistic picture of your spending.

Step 4: Create a Realistic Budget

To take your first stab at a budget, add your monthly expenses from Step 3 to the monthly goals you calculated in Step 1. Then, subtract that total from your monthly income calculated in Step 2. If the balance is positive, you've created a budget that works for your current lifestyle. Here's an example:

	Monthly income (from Step 2)	\$3,000
	Monthly living expenses (from Step 3)	(\$2,100)
	Monthly financial goals (from Step 1)	(\$750)
	<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> Total left over	<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> \$150

If the balance is negative, you have some more work to do. That leads us to Step 5.

Step 5: Revisit Your Goals and Expenses

If the first swipe at your budget came out negative, rework the numbers and try again. For example, you can revisit expenses and decide which ones are top priority and need to stay in your budget and which you can do without. You can also consider changing the amount of time needed to meet your financial goals. Or you can figure out a way to increase your income.

Step 6: Stay Engaged

Budgeting isn't a one-and-done exercise. To help build the momentum you need to help you move forward in your budgeting process, check out www.americasaves.org. The site features lots of money-saving ideas, as well as other tips on setting financial goals and making a plan to achieve them.

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26
Local Campaigns

Budgeting Building Blocks

Build an Emergency Fund

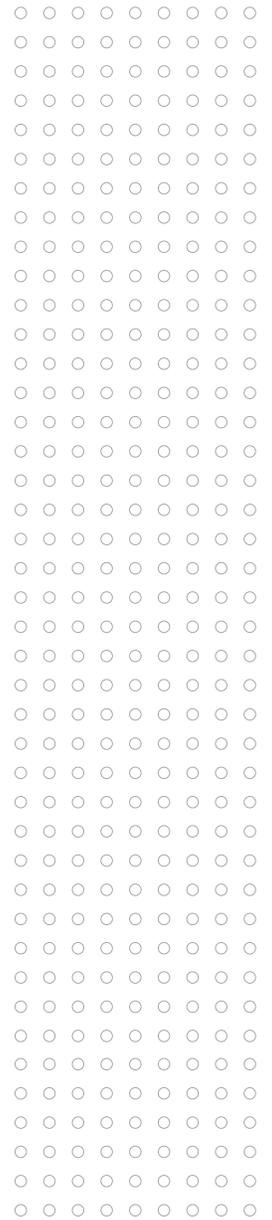
Probably the most important budgeting building block is to have an emergency fund to help when something unexpected comes up, such as a car, refrigerator or dishwasher breaking down. Here are the key features of an emergency fund:

- Aim to have 3-6 months of living expenses saved
- Keep separate from your checking account
- No (or very low) transaction fees
- Easy access
- No penalties for withdrawals
- Interest earnings on the balance



Pay Yourself First

Another important budgeting building block is to make sure you are contributing to a retirement savings account. Whether it's a plan offered through your employer or an Individual Retirement Account (IRA), make sure you pay yourself first through an automatic payroll deduction via your employer or through an automatic monthly transfer of funds from a personal bank account (in the case of an IRA).



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