

Budget Basics

1. Make a conservative income projection.

Include only your current salary, plus other “known” monthly incomes, such as interest from a savings account or income from rental property. Do not include “hoped for” tax refunds, cost of living raises or end of year bonuses. Considering *Murphy’s Law*, these “hoped for” incomes probably will not happen to you in the current twelve month period.

2. Know and understand your budget. There are generally three sections to your budget:

- **Firm or known** amounts that never change, such as the monthly rental/mortgage payment on your home or a vehicle payment.
- **Flexible or variable** amounts, such as utilities and telephone accounts. If your home is heated by gas, but cooled by electricity, it makes sense that the gas bill will be higher in winter and the electricity bill higher in summer.
- **Fixed or limited** amounts will be those items that are left, such as groceries, clothing, entertainment or allowances. This section often determines whether or not a budget will work for you.

3. The key to a budget. The key to staying within your budget is to tailor it to your financial income. Like the parable of Jesus, where one steward was given five talents of money, another three and another one, so it is in our modern society: if you make \$25,000 a year, that is what your household budget should reflect; if you earn \$50,000 a year, your budget should reflect that amount; if your salary is \$80,000 per year or more, you can obviously have a larger budget.

The average credit card balance of the majority of individuals or families is approximately \$10,000. This is usually because over the years their monthly expenses typically exceed their monthly income by only \$100 or \$200—and the debt just keeps on going up and up and up.

References: Some concepts from “Budgeting Basics 1: Reasons *Not* to Budget” by Matthew Pryor, *Sound Mind Investing* magazine, January 2009, page 6.

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The Stewpot

A potpourri of practical ideas to help you become a better steward

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Budgets Don’t Count—Or Do They?

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How many times have you said to yourself: *I just don’t know where all my money goes or I can’t seem to make ends meet when it comes to my finances?* Believe me, you are not alone with these thoughts, especially in the current financial recession.



The best answer to this financial dilemma is a household budget. I know, as soon as you read “household budget” you have the feeling of being sent to your room as a teenager, getting a “time out” or standing in the corner as a child. For the majority of people, going on a budget just sounds disagreeable. And when we observe the way our national leaders disregard

and fail to manage our national finances, it’s no wonder the average American dislikes and even ignores developing a household budget.

excuses for not doing so. Below are four common excuses, presented in a “tongue-in-cheek” manner. Most of them are unfounded and illogical, but we continue to use them as ways to get ourselves out of developing a plan. The bottom line is that having a budget is actually a liberating experience.

Many of you readers of *the Stewpot* may have failed to establish a personal financial plan or budget in the past because you hold on to one or more

“Living without a budget is like driving an automobile without a steering wheel.”
(Unknown)

Stewardship is a total lifestyle. It involves our health, time, talents, environment, relationships, spirituality and finances.

"Make yourself rich by making your wants few."
(H.D. Thoreau)

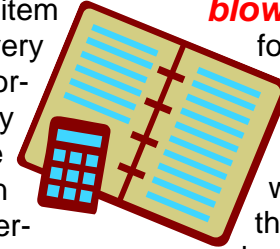
Excuse #1: Hanging on to old budget myths. When you and your spouse start thinking about developing a sound financial plan, you quickly fall back on such time honored myths as, "We just don't have the time," "We didn't get the accountancy gene," or "Putting together a budget, whoa, that's a lot of hard work."

• **Perspective:** When you look at the whole scheme of money management, it seems that comparing the one or two hours a month it takes to develop a budget to the 160 plus hours you work to earn your money, it is time very well spent. If you work an average of over 2,000 hours per year, it definitely seems worthwhile to put an additional one to two percent of that time deciding just where that money is going to go.

Excuse #2: You love financial arguments. Instead of relaxing and enjoying a quiet

evening reading a great book or enjoying your favorite hobby, a favorite pastime seems to be having heated discussions about each other's spending habits. You would rather argue with your spouse about who spends the most money and throw economic grenades at each other, as if you don't get enough pressure from work, relationships or life as a whole.

• **Perspective:** Having a prearranged, spouse-approved system to direct your spending decisions is a must. For nearly 40 years, my wife and I have practiced this simple rule: if it's not in the budget and costs more than \$100, let's discuss it first, so there are no hard feelings and the household budget remains intact. Well-planned budgets or spending plans reduce and eliminate blame games. This should give you more time to talk about how



poor a job the congress is doing or how to pick better mutual funds in your 401k.

Excuse #3: Financial bungee jumping. Keeping an account of every item purchased seems very mundane to the majority of individuals. They would rather play the proverbial Russian roulette with their personal finances. Receiving bank notices with a \$35 bank charge or a \$75 penalty for a credit card infraction are the only times they have a momentary glimpse of what a household budget could and would do for their financial freedom. The only time you feel the need to develop a money management program is when you are in financial free fall.

• **Perspective:** To be honest, having a comprehensive budget will allow you to have regular nights out with your spouse and friends, as well as the dollars and cents to pay for those concert tickets and the babysitter. It will also allow you

to have the funds needed for annual family trips to a theme park or maybe even an African safari.

Excuse #4: Half-hearted blowouts. The ultimate excuse for not having a budget is having a half-hearted one. This is the budget you have in your mind, but which is quite different from the one in your spouse's head. Consequentially, they both add up to 150 percent of your combined 100 percent salaries. This lackadaisical thinking falls under the same category as that of the individual who believes that if there are checks in the checkbook, there certainly is money in the bank.

• **Perspective:** A household budget that truly reflects every aspect of your financial needs and also plans for emergencies and other unforeseen financial crises will save you a lot of headaches and sleepless nights.



"If your outgo exceeds your income, then your upkeep will be your downfall." (Bill Earle)