

watch

Budgeting is an essential part of being a good steward of the resources God has given us.

Most people need a budget to spend less than they earn.

²³ Know well the condition of your flocks, and give attention to your herds, . . . ²⁶ the lambs will provide your clothing, and the goats the price of a field. ²⁷ There will be enough goats' milk for your food, for the food of your household.

Proverbs 27:23, 26-27

Budgeting helps us count our dollars and cents so we can make adjustments when difficult times come.

One of the keys for any budget is regularly monitoring and checking to make sure you are living within your overall budget.

Two Major Ways to Budget:

- 1) Traditional Budget
- 2) Pie Based Budget

Traditional Budgeting Process:

#1 – Know Your Numbers:

Gather information on your inflows (income, gifts received, tax refunds, etc.) and outflows (expenses, debt repayment, etc.) from one to three months' recent history.

Don't forget about irregular expenses.

#2 – Categorize Your Expenses

Don't be too granular, but don't be too broad in your categories. You want to be specific enough so you can know what is actually happening in your spending.

#3 – Prioritize Your Expenses

Begin with mandatory expenses:

- 1) Give
- 2) Save
- 3) Taxes
- 4) Debt

What is left over after your mandatory expenses is the amount you spend out of each month – your discretionary spending.

#4 – Put Everything into a Plan

Take your priorities and your actual expenses and put them into a 12-month plan.

Balance your budget so that every dollar is put somewhere. If you don't spend it in one month, move it to some future expense or need.

#5 – Analyze and Adjust

Your budget won't be perfect, so be willing to adjust as you progress.

Pie Based Budgeting:

Set up four bank accounts:

- 1) Live Account – all deposits go here initially
- 2) Give Account – auto transfer specified amount each month here
- 3) Grow Account – auto transfer specified amount each month here
- 4) Joy Account – auto transfer specified amount each month here
(you will probably want to get a debit card for your Joy Account so you can spend money directly from this account – don't be afraid to label the card with "JOY" with a permanent marker!)

discuss

In the video, Michael talked about budgeting being a part of stewardship. He indicated that not knowing how we are spending our dollars and cents will usually lead to us spending more than we earn.

How could you be a better steward of your resources if you had a detailed budget?

How does having a budget help you steward your resources better?

Many people struggle to maintain a budget because it requires constant monitoring and work. However, the key to any budget is to use it to help you make adjustments as you are going.

What are the things that keep you from budgeting or updating your budget?

How can you create the necessary discipline for regularly checking and adjusting your budget?

We talked about prioritizing your budget between mandatory and discretionary expenses.

Why is it important to set priorities in your budget? What happens when you don't set priorities?

Discuss what items you want to include in your mandatory expense line items.

Take some time to let people share (as they feel comfortable) how they have “budgeted” (or not budgeted) in the past. Share some ways that have been successful and some ways that were not so successful. Use this time to learn from each other, as budgeting is often as unique as each person or couple. Remind yourselves that there is no one correct way to budget; the key is to find something that helps you know what is going on in your finances at regular intervals so you can make corrections before a major issue arises.

Look at the budgeting worksheets provided at www.ronblueinstitute.com/GOIABudget and help answer any questions that exist within the group. Remember that all of these worksheets are simply intended to help you get started. Feel free to modify them however you see fit so that they work for your situation. Learn from others in your group as to how they make a budget work. Don't try to do this alone. Rely on each other's experiences and expertise. Visit www.ronblueinstitute.com/GOIABudget to see more videos on how to use the budgeting forms.

What is your biggest reason for wanting to do a budget?

What will you commit to do before next week as you move toward a budget? Download expenses? Identify accounts? Research options? Pray? Etc.

In closing, spend time praying for each other's needs and asking God for the perseverance and desire to finish the budgeting process.

study

In the bonus video on budgeting, Michael walked through two different types of budgets – a traditional budget and a pie-based budget. Most people will probably need to begin with a traditional budget. Why? So that they know in detail where their money is actually being spent. Knowing this detail is the only way to really know how well you are handling the money that God has given you to manage. With that goal in mind, this bonus budgeting session's study portion is going to look and feel quite a bit different than the other study sessions in the *God Owns It All* workbook. This study focuses on the actual steps to take to create a traditional budget.

Are you ready? Let's do this!

Step #1 – Know Your Numbers:

Gather all of your income and expenses from the previous one, two, or three months. The more data you have the better, but if three months feels too overwhelming, then just start with the most recently completed month. This is the most time intensive step of budgeting, but it is also the most important one. Take your time gathering this information and remind yourself of why you are doing this.

What is the period of time you will gather information for? (1-month, 2-months, 3-months):

Starting month: _____ Ending month (if > 1 month): _____

Now, decide where you will gather your data! There are two major ways to do this: (1) manually by gathering receipts or bank statements and entering them on a ledger or spreadsheet; or (2) automatically through a computer program (Mint.com, Quicken, mvelopes.com, etc.)

Before beginning with either method, write down the regular income that you expect each month, or estimate how much you make on average each month. These numbers will give you an idea of how much money you have available to allocate to expenses each month.

Source of Income	Monthly Amount
	\$
	\$
	\$
	\$
	\$
TOTAL	\$

Now write down any irregular income or gifts you expect to receive over the next 12-months. These may include tax refunds, gifts from family, bonuses, etc. Note: These numbers don't need to be exact. Feel free to estimate.

Source of Money	Annual Amount	Month Expected
	\$	
	\$	
	\$	
	\$	
	\$	

One more step before you move on to your expenses. Write down all bank accounts, credit card accounts, loans, and any other accounts that have expenses paid out of them or payments made to them. These will be the accounts you will look at as you gather information on your spending and income.

Financial Institution
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15.

Now it is time to collect information. Either use a program like Mint.com to download your past transactions from each of your financial institutions or manually go to each institution and download your transactions into a .csv or a .xlsx format. If you choose the latter method, you can use the Transaction Record we have provided on our website (www.ronblueinstitute.com/GOIABudget) and paste your transactions into it. Below is a picture of what the transaction record will look like. If you have questions about doing either of these methods, please refer to www.ronblueinstitute.com/GOIABudget for videos describing the processes.

categorizing transactions is for you to be as consistent as you can be from month to month. Perfection is not the goal, but consistency is. For example:

Most people have transactions for stores like Target, Walmart, or Costco. Usually these transactions include groceries, household items, clothing, gifts, and so much more. You have a choice to take the painstaking action of keeping these receipts and breaking them up perfectly into categories, or simply categorizing these as something broad like “General Household.” What I do in my budget is categorize these as General Household unless there is a specific out of the ordinary purchase made at one of these stores – for instance if we don’t usually buy clothes there but bought clothes I would split my transaction into two categories: “Clothing” and “General Household.” Categorizing these broadly is less exact, but if I always do it the same way then I begin to budget based on the spending that happens at these places even if my categorization isn’t perfect. I will provide one caveat – if you spend a lot of money at these stores, then broadly categorizing will not give you a good idea of how exactly you’re spending your money, so you may need to be more exact than I have proposed or you may want to categorize the transaction based on the primary purpose of the trip – i.e. if you mostly bought groceries, categorize it as groceries; if you mostly bought cleaning items, categorize it as general household, etc.

Below is an example of the transactions downloaded in Step #2 categorized.

Date	Payee	Amount	Category
1/1/19	Chevron	42.12	Transportation: Gas
1/1/19	Chipotle	15.16	Food: Restaurants
1/2/19	Water Company	132.15	Housing: Utilities
1/2/19	Macy's	43.12	Clothing

Step #3 – Prioritize Your Expenses:

This step is a fairly simple step where you determine which of your spending categories are mandatory and which are not. Keep your descriptions broad, and don’t put too many line items in the mandatory category, or else you could get bogged down here. In other words, if you think about the five uses of money, the intention is to take whole categories (entire wedges of the pie) and allocate them as either mandatory or discretionary. The table below provides an example of how you might organize your spending this way. Feel free to move categories around as you see fit.

After you have determined your mandatory categories, take your total spending from each category from Step #2 and add those numbers into the table below. Alternatively, you can add these to the “Spending Summary” tab of the Excel file on our website titled “Budget and Transaction Record” (www.ronblueinstitute.com/GOIABudget) or insert them into any other form that you are using for the creation of your budget.

INCOME \$ _____

LESS MANDATORY EXPENSES

Giving	\$ _____
Taxes	\$ _____
Savings	\$ _____
Debt: Student	\$ _____
Debt: Car	\$ _____
_____ (other from below)	\$ _____
_____ (other from below)	\$ _____
_____ (other from below)	\$ _____
TOTAL MANDATORY EXPENSES	\$ _____
(subtract Income from Mandatory Expenses)	
= DISCRETIONARY INCOME	\$ _____

LESS DISCRETIONARY EXPENSES

Housing: Mortgage/Rent	\$ _____
Housing: Insurance	\$ _____
Housing: Taxes	\$ _____
Housing: Utilities	\$ _____
Housing: Repairs/Maint.	\$ _____
Housing: Improvements	\$ _____
Housing: Other	\$ _____
Food: Groceries	\$ _____
Food: Restaurants	\$ _____
Clothing	\$ _____
Transportation: Gas	\$ _____
Transportation: Insurance	\$ _____
Transportation: Maintenance	\$ _____
Transportation: Other	\$ _____
Entertainment/Recreation	\$ _____
Vacation	\$ _____
Medical: Insurance	\$ _____
Medical: Doctor	\$ _____
Medical: Medicine	\$ _____
Medical: Other	\$ _____
Life Insurance	\$ _____
Disability Insurance	\$ _____
Children	\$ _____

Gifts	\$
Miscellaneous: Husband	\$
Miscellaneous: Wife	\$
Miscellaneous: Pets	\$
Miscellaneous: Dry Cleaning	\$
Miscellaneous: Beauty and Barber	\$
Miscellaneous: Other	\$
TOTAL DISCRETIONARY EXPENSES	\$
(subtract Discretionary Income from Discretionary Expenses)	
NET REMAINING	\$

Step #4 – Put Everything into a Plan:

Now that you have gathered all of your information, categorized your expenses, and identified your mandatory expenses, it is time to put this all together in a plan. Here are the steps for making that happen:

- 1) If you gathered more than one month of data, average your totals in each category so that they represent one-month average spending. (Example: if you used 3 months of data, divide every line item by 3 to find your average monthly expenditure.) You can do this in the table above or wherever you downloaded and categorized your expenses.
- 2) Set up your budget template for 12-months of expenses. The Excel file on our website titled “Budget and Transaction Record” has a tab (“Budget”) to show you an example or for you to use as a starting point. Make sure to list your mandatory expenses first and subtract them from your income to determine how much you have for your discretionary expenses.
- 3) Copy your average monthly income and expenses into the matching category in each of the months on your budget. This is your preliminary budget.
- 4) Now comes the work to make it work!
 - a. Remember those irregular income and expenses that we identified earlier? Pull that information out and begin plugging these numbers into your budget. If you intend on saving money for a future expense, reflect that in your budget and then put that money aside in a separate account for later use.
 - b. Once you have all of this information in your budget, check to see if your numbers work.

Are you spending more than you make in any month?

Are you spending more than you make over the whole year?

Are you spending less than you make in a month or over the year?

If you answered “yes” to any of these questions, now is the time to adjust your budget toward a zero-based budget. This just means that every single dollar is accounted for: your income minus your mandatory and discretionary expenses will equal zero. If you have more income than expenses, pre-plan how you want to allocate that money – do you want to save it, spend it, or give it? If you have more expenses than income, figure out where you are going to reduce expenses or increase income. Play around with the numbers and see if you can come up with a plan. This is the hard, but fun part. Seeing a way forward is rewarding!

Congratulations!! You have completed a budget. Now, let it work for you.

Step #5 – Analyze and Adjust:

Regularly check your spending against your budget numbers and see how you are doing. I do this every few days. Most online services (i.e. Mint.com) and computer programs (i.e. Quicken) will help you easily do this. If it is looking like you are going to have trouble meeting your overall budget for the month, make some adjustments as you go.

Do you need to reduce or eliminate spending in a certain category?

Do you need to spend money only on absolute necessities for the rest of the month?

Are you going to have a surplus, and do you have a plan to use it?

After a few months, it is a good idea to look back at your budget and see if your numbers are still matching with reality. If they aren't, make adjustments. If you are still overspending, it may be a good idea to try a cash-based budget for your discretionary expenses (i.e. envelopes). Change things that aren't working.

This process I have outlined above is just a basic process and is not the only way to do a budget. The point is to get you started and help you know how to create a budget. Now that you have this knowledge, find a system that works best for you. Remember that a budget is simply a plan and a picture for spending money. Don't be afraid to make changes, but be intentional when you do so.

Finally, at the end of each year it is a good idea to look back and see how you did. Make adjustments again and then make a plan for the next 12-months. You are now well on your way to making budgeting into a lifelong habit. Great job!!