

# Budgeting 101





***Presented by:***

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25+ years experience in Community Lending

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- **What is a budget?**

It can be an estimate of income and expenses for a set period of time, a road map or a financial plan.

- **Why use a budget?**

It can help you understand your spending habits, create a savings plan, or pay off debts.

- **When can you use a budget?**

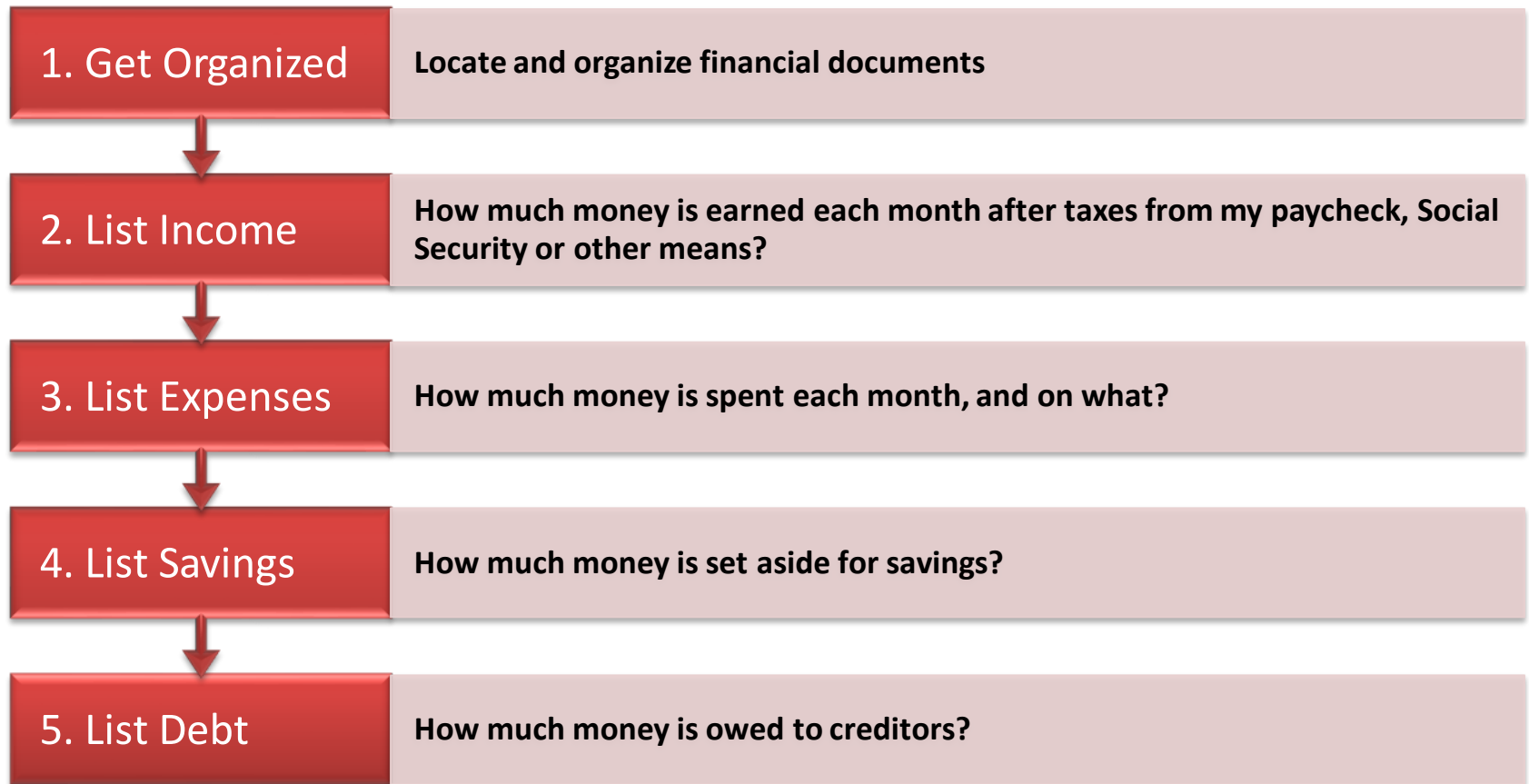
Budgets can be used regularly to help you maintain good financial practices, or they can be used to help you achieve a special goal.

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- Lack of discipline
- Thinking that it doesn't matter
- Procrastinating
- Family or others will send me more money
- Tax refunds/my birthday/holiday money will arrive soon
- My student loan check will take care of my expenses



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### Find Important Documents

- Pay stubs
- Bills
- Receipts
- Loan statements
- Credit card statements
- Any social benefits statements
- Bank statements



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- Review all sources and amounts of income (after-tax) for past three months to determine average monthly income
- Examples:
  - Employment
  - Student Loans
  - Checking Account
  - Savings Account



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- Review all bills and expenses for the last three months to determine monthly expenses
- Tag everything as either a "necessity" or a "want" and then sort everything into these two groups.





## 4. List Savings & 5. List Debts



- How much are you currently putting aside for saving each month?
- What are your monthly debt payments?
  - Credit Cards
  - Auto Loans
  - Mortgage
  - Student Loans

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## Monthly Budget Worksheet

### INCOME:

Salary (after deductions)	
Spouse salary (after deductions)	
Investment income	
Financial aid	
Gifts	
Other	
<b>Total Fixed Income</b>	<b>\$0</b>

### FIXED EXPENSES:

Tuition & fees	
Books & supplies	
Regular savings	
Rent/mortgage	
Utilities	
Telephone (base rate)	
Taxes (federal, state)	
Vehicle payments	
Other transportation	
Credit card payments	
Personal loans	
Educational loans	
Insurance (life and health)	
Home/renter insurance	
Auto insurance	
Auto registration/taxes	
Other	
<b>Total Fixed Expenses</b>	<b>\$0</b>

### VARIABLE OR FLEXIBLE EXPENSES:

Food/household supplies	
Dining Out	
Clothes	
Laundry/dry cleaning	
Gas, oil, auto maintenance	
Parking	
Medical/dental/eye care	
Entertainment	
Travel/vacation	
Pets, supplies, food	
Records & books	
Personal care	
Subscriptions	
Cable TV and Internet	
Phone	
Gifts	
Charity/contributions	
Savings for interviews/relocation	
USMLE	
Other	
<b>Total Variable Expenses</b>	<b>\$0</b>
<b>Total Fixed Expenses +</b>	<b>\$0</b>
<b>Total Monthly Expenses =</b>	<b>\$0</b>
<b>Total Income</b>	<b>\$0</b>
<b>Less Total Expenses</b>	<b>\$0</b>
<b>Total Discretionary Income =</b>	<b>\$0</b>
<b>(or Deficit)</b>	



## Monthly Budget Worksheet

### INCOME:

Salary (after deductions)	\$0
Spouse salary (after deductions)	\$0
Investment income	\$0
Financial aid	\$1,921
Gifts	\$100
Other	\$0
<b>Total Fixed Income</b>	<b>\$2,021</b>

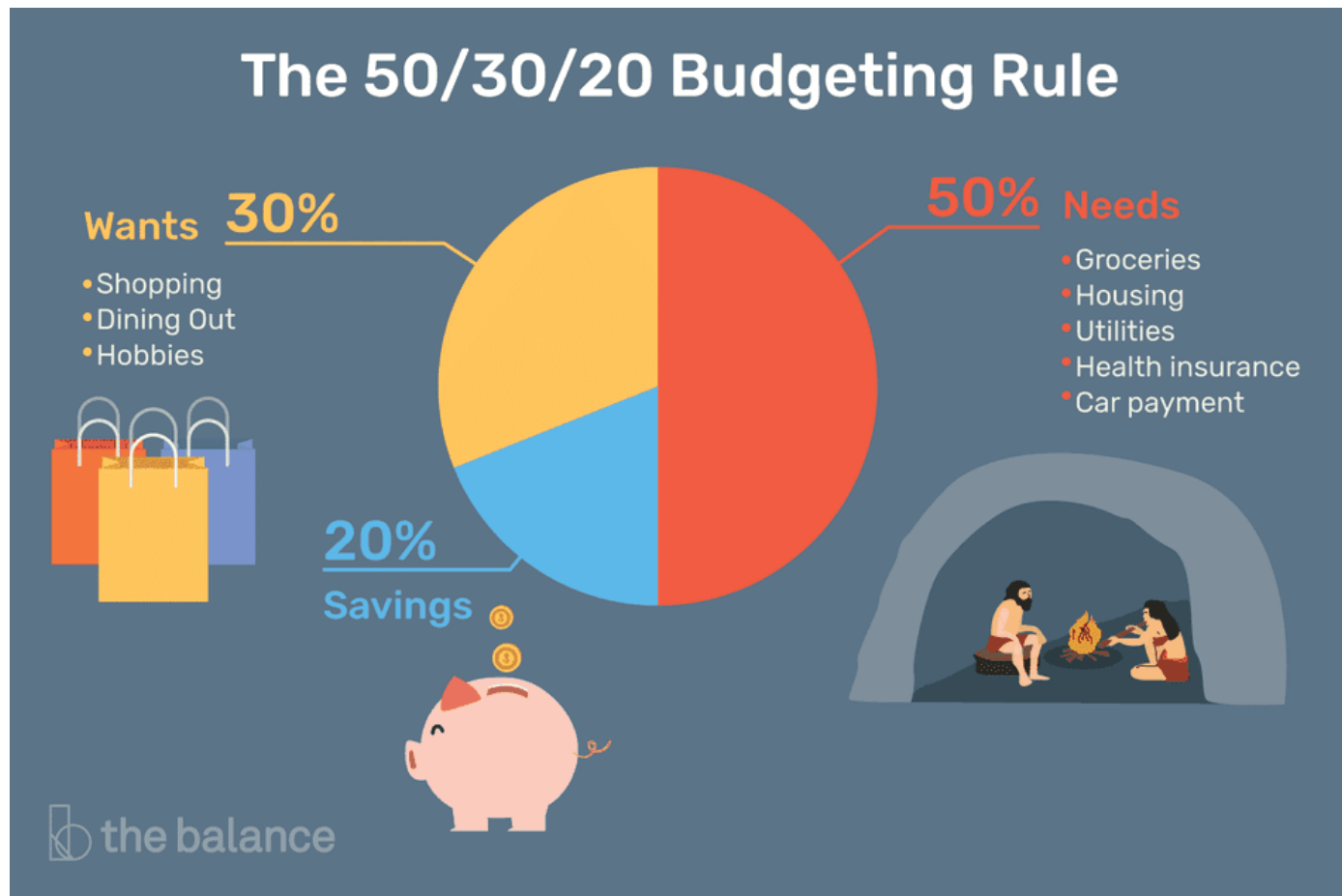
### FIXED EXPENSES:

Tuition & fees	\$0
Books & supplies	\$100
Regular savings	\$0
Rent/mortgage	\$1,000
Utilities	\$70
Telephone (base rate)	\$50
Taxes (federal, state)	\$0
Vehicle payments	\$0
Other transportation	\$55
Credit card payments	\$50
Personal loans	\$0
Educational loans	\$0
Insurance (life and health)	\$0
Home/renter insurance	\$20
Auto insurance	\$0
Auto registration/taxes	\$0
Other	\$50
<b>Total Fixed Expenses</b>	<b>\$1,395</b>

### VARIABLE OR FLEXIBLE EXPENSES:

Food/household supplies	\$200
Dining Out	\$100
Clothes	\$50
Laundry/dry cleaning	\$50
Gas, oil, auto maintenance	\$0
Parking	\$0
Medical/dental/eye care	\$0
Entertainment	\$50
Travel/vacation	\$50
Pets, supplies, food	\$0
Records & books	\$0
Personal care	\$30
Subscriptions	\$20
Cable TV and Internet	
Phone	
Gifts	\$20
Charity/contributions	
Savings for interviews/relocation	
USMLE	
Other	\$50
<b>Total Variable Expenses</b>	<b>\$620</b>
<b>Total Fixed Expenses +</b>	<b>\$1,395</b>
<b>Total Monthly Expenses =</b>	<b>\$2,015</b>
<b>Total Income</b>	<b>\$2,021</b>
<b>Less Total Expenses</b>	<b>\$2,015</b>
<b>Total Discretionary Income =</b>	<b>\$6</b>
<b>(or Deficit)</b>	

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The Categories Method is a more detailed breakdown of percentages and categories:

- **30%** for housing
- **10%** for utilities/housing expenditures
- **10%** for groceries
- **10%** for transportation, including car loan
- **10%** for debt repayment (student loans and credit cards)
- **10%** for savings
- **5%** for savings
- **5%** for car insurance/auto expenses
- **5%** for clothing
- **5%** for entertainment



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- Short Term Goals
  - Less than six months
- Medium Term Goals
  - Six months to 2 years
- Long Term Goals
  - More than 2 years



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**S**

**Specific**

- State what you'll do
- Use action words

**M**

**Measurable**

- Provide a way to evaluate
- Use metrics or data targets

**A**

**Achievable**

- Within your scope
- Possible to accomplish, attainable

**R**

**Relevant**

- Makes sense within your job function
- Improves the business in some way

**T**

**Time-bound**

- State when you'll get it done
- Be specific on date or timeframe

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## Ladder Method

- List all your debts from highest to lowest interest rate
- Based on budget method, determine how much you have allotted for debt reduction.
- Ensure that your monthly minimum payments are met for each debt category.
- Choose the highest interest rate loan to pay off first.





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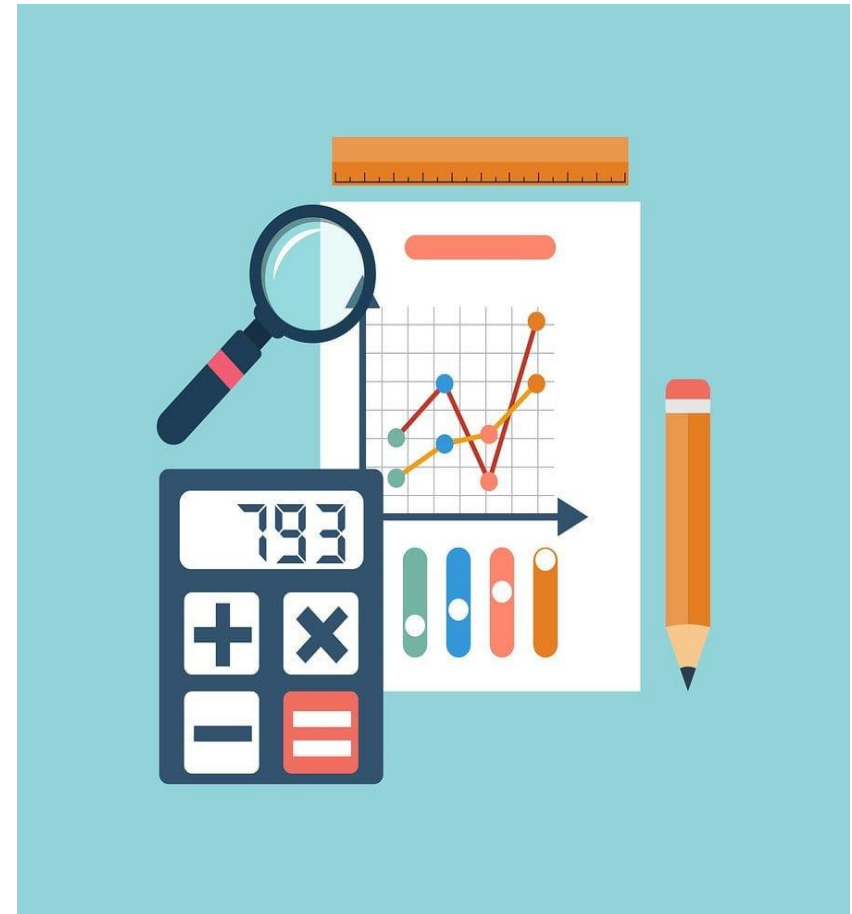
## Snowball Method

- List all your debts from smallest to largest balance.
- Based on budget method, determine how much you have allotted for debt reduction.
- Ensure that your monthly minimum payments are met for each debt category.
- Choose the loan with the smallest balance to pay off first.

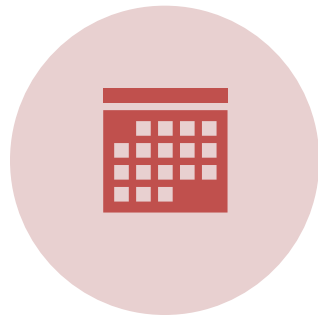


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- Apps:
  - EveryDollar
  - You Need A Budget (YNAB)
  - mvelopes
- Websites:
  - [mint.com](https://www.mint.com)
  - [consumerfinance.gov](https://www.consumerfinance.gov)
  - [annualcreditreport.com](https://www.annualcreditreport.com)



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HAVE DAILY, WEEKLY  
AND MONTHLY CHECK-  
INS.



MEET WITH A BANK  
REPRESENTATIVE



DISCUSS PERSONAL  
FINANCE WITH A  
FINANCIAL PLANNER.

# Questions?



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Materials and presentation based upon industry practice and lender expertise. It is meant to serve as an educational tool only and not intended to provide legal advice.

