

## A Budget Guide



Over three quarters of Americans are bankrupted, broke & busted or dead by credit cards. Only ten percent are debt free or millionaire.

We are merely stewards of what God has entrusted to us. As caretakers, it is important that we use our estate assets to their fullest potential during our lifetime for our personal, family, business, and charitable interests. Follow the steps of this guide to create a healthy family budget that will maximize your resources.

### List Income

List all available income:

- Salary
- Interest
- Dividends
- Rents
- Royalties
- Other Income (garage sales, gifts)

If you operate on a non-fixed monthly income, use an average monthly amount. See the section on Variable Income Planning at the end of this guide.

### List Expenditures

Make a list of the monthly expenditures in the home, starting with the fixed expenses:

- Tithes
- Federal Income Tax (ignore if deducted)
- State Income Tax (ignore if taxes deducted)
- Federal Social Security (if deducted, ignore)
- Medicare (if deducted, ignore)
- Housing (mortgage payment or rent)
- Residence (real estate, personal property)

Utilities (electric, gas, water, et al)  
Automobile(s) (payments, gas, et al)

Now list the variable expenses, items that vary from month to month but that you still have to pay out each month:

Savings/Investment  
Outstanding Debts (if applicable)  
Food  
Utilities  
Insurance (life, health, auto)  
Entertainment, Recreation  
Clothing  
Medical/Dental  
Miscellaneous

In order to accurately determine variable expenses, it is suggested that both husband and wife keep an expense diary for 30 days. Each purchase, even small, should be listed.

### **Compare Income versus Expenses**

Establish a budget based on the husband's income only. Apply the wife's income to one-time purchases only—vacations, furniture, cars—or to savings or debt reduction. Too many times the wife's income is interrupted by illness, pregnancy, or a change in the husband's employment location.

If total income exceeds total expenses, you only have to implement a method of budget control in your home. However, if expenses exceed income (or more stringent controls in spending are desired), additional steps are necessary. In that case, to reduce expenses, an analysis of each budget area is called for. These areas are outlined below.

"Budget busters" are the large potential problem areas that can ruin a budget. Failure to control even one of these problems can result in financial disaster in the home.

### **Debts**

It would be great if most budgets included 5% debts or less. Unfortunately, the norm in American families is far in excess of this amount. Credit cards, bank loans, and installment credit have made it possible for families to go deeply into debt. What things can you do once this situation exists?

Hints for Debt Elimination:

- Pray. Ask the Holy Spirit for help and guidance.
- Allow no more debt. Destroy all credit cards.
- Establish a payment schedule that includes all creditors.
- List all assets to evaluate whether to sell for immediate debt reduction.
- Contact all creditors, honestly relate your problems, and arrange an equitable repayment plan. The average family can be debt free in three years.
- Buy on a cash basis, and sacrifice your wants and desires until you are current.

### **Savings/Investments**

It is important that some savings be established in the budget. Otherwise, the use of credit becomes a lifelong necessity and debt a way of life. Your savings will allow you to purchase items for cash and shop for the best buys, irrespective of the store.

Hints for Savings:

- Use a company payroll withdrawal, if possible.
- Use an automatic bank withdrawal from your checking account.
- When an existing debt is paid off, allocate any extra money toward the next largest debt.
- When all consumer debt is paid off, then reallocate that money to savings.

Individuals and families with surplus income in their budgets will have the opportunity to invest for retirement or other long-term goals. As debt-free status is achieved, more money can be diverted to this category.

## **Housing**

Typically, this is one of the largest home budget problems. Many families, motivated by peer pressure or some other pressure, buy homes they can't afford. It is not necessary for everyone to own a home. The decision to buy or rent should be based on needs and financial ability, rather than on internal or external pressure.

## **Food**

Many families buy too much food. Others buy too little. Typically, the average American family buys the wrong type of food. The reduction of a family's food bill requires quantity and quality planning.

Hints for Grocery Shopping Savings:

Always use a written list of needs.

Try to conserve gas by buying food for a longer time period and in larger quantities.

Avoid shopping when hungry (especially if you're a "sugarholic"). Use a calculator, if possible, to total purchases.

Reduce or eliminate paper products—paper plates, cups, napkins (use cloth napkins).

Evaluate where to purchase sundry items, such as shampoo, mouthwash. (These are normally somewhat cheaper at discount stores.)

Avoid processed and sugar-coated cereals. (These are expensive and most of them have little nutritional value.)

Avoid prepared foods, such as frozen dinners, pot pies, cakes. (You are paying for expensive labor that you can provide.)

Determine good meat cuts that are available from roasts or shoulders, and have the butcher cut these for you. (Buying steaks by the package on sale is fairly inexpensive also.)

Try store brand canned products. (These are normally cheaper and just as nutritious.)

Avoid products in a seasonal price hike.

Substitute or eliminate.

Shop for advertised specials. (These are usually posted in the store window.)

Avoid buying non-grocery items in a grocery supermarket except on sale. (These are normally high mark-up items.)

When possible, purchase food in bulk quantities from large discount stores; the per-item cost is cheaper. Do not buy from convenience stores except in case of emergency.

Use manufacturer's coupons (cents-off on an item or items) only if you were going to buy the item anyway and it is cheaper than another brand would be without the coupon.

For baby foods, use normal foods processed in a blender.

Leave the children at home to avoid unnecessary pressure.

Check every item as it is being rung up at the store and again when you get home.

Consider canning fresh vegetables whenever possible. Make bulk purchases with other families at farmers' markets and such. Secure canning supplies during off seasons.

## **Automobiles**

Many families will buy new cars they cannot afford and trade them long before their utility is depleted. Many factors enter here, such as ego, esteem, and maturity.

Watch Dave Ramsey's video "Drive Free Cars for Life."

## **Insurance**

It is unfortunate to see so many families misled in this area. Few people understand insurance, either how much is needed or what kind is necessary.

Insurance should be used as supplementary provision for the family, not for protection or profit. An insurance plan is not designed for saving money or for retirement.

In our society, insurance can be used as an inexpensive vehicle to provide future family income and thus release funds today for family use and the Lord's work.

### **Entertainment/Recreation**

We are a recreation-oriented country. That is not necessarily bad if put in the proper perspective. But those who are in debt cannot use their creditor's money to entertain themselves. Christians must resist this urge and control recreation and entertainment expenses while in debt.

What a terrible witness it is for a Christian who is already in financial bondage to indulge at the expense of others. God knows we need rest and relaxation, and once our attitude is correct He will often provide it from unexpected sources. Every believer, whether in debt or not, should seek to reduce entertainment expenses. This usually can be done without sacrificing quality family time.

Hints for Recreation Savings:

- Plan vacations during off seasons if possible.
- Consider a camping vacation to avoid motel and food expenses. (Christian friends can pool the expenses of camping items.)
- Select vacation areas in your general locale.
- To reduce expenses and increase fellowship, consider taking vacation trips with two or more families.
- If flying, use the least expensive coach fare, i.e., late night or early morning.

### **Clothing**

Many families in debt sacrifice this area in their budget because of excesses in other areas. And yet with prudent planning and buying your family can be clothed neatly without great expense.

This requires effort:

- Saving enough money to buy without using credit.
- Educating family members on care of clothing.

Applying discipline with children to enforce these habits.

Developing skills in making and mending clothing.  
Learn to be utilizers of resources rather than consumers. How many families have closets full of clothes they no longer wear because they are “out of style”?

Many families with large surplus incomes spend excessively in the area of clothes. assess whether it really matters that you have all of the latest styles. Do your purchases reflect good utility rather than ego? Do you buy clothes to satisfy a need or a desire?

Hints for Clothing Savings:

Make as many of the clothes as time will allow if possible.

Make a written list of clothing needs and purchase during “off” season if possible.

Select outfits that can be mixed and used in multiple combinations.

Frequent the discount outlets that carry unmarked name-brand goods.

Shop at authentic factory outlet stores for close-out values of top quality.

Select clothing made of home-washable fabrics.

Use coin-operated dry cleaning machines instead of commercial cleaners.

Practice early repair for damaged clothing.

Learn to utilize all clothing fully (especially children’s wear).

## **Medical/Dental**

You must anticipate these expenses in your budget and set aside funds regularly. Failure to do so could wreck your plans and lead to indebtedness. Do not sacrifice family health due to lack of planning; but, at the same time, do not use doctors excessively. Proper prevention is much cheaper than correction.

You can avoid many dental bills by teaching children to eat the right foods and clean their teeth properly.

Your dentist will supply all the information you need on this subject.

Many doctor bills can be avoided in the same way. Take proper care of your body through diet, rest, and exercise. Abuse your body and you must ultimately pay through illnesses and malfunctions. This is not to say that all illnesses or problems are caused by neglect, but a great many are.

Do not be hesitant to question doctors and dentists in advance about costs. Also, educate yourself enough to discern when you are getting good value for your money. Most ethical professionals will not take offense at your questions. If they do, that may be a hint to change services.

In the case of prescriptions, shop around. You will be amazed to discover the wide variance in prices from one store to the next. Ask about generic drugs. These are usually much less expensive and are just as effective.

### **School/Child Care**

An ever increasing segment of our population has expenses for private school and/or childcare. This category must reflect those expenses. All other categories must be reduced to provide these funds.

### **Miscellaneous (variable expenses)**

These can include a myriad of items. Some of the expenses occur monthly and others occur on an as-needed basis (such as appliances).

One of the most important factors in home expenses is you. If you can perform routine maintenance and repair, considerable expenses can be avoided. Many people rationalize not doing these things on the basis that time is too valuable. That is nonsense. If every hour of the day is tied up in the pursuit of money, as previously defined, then you're in bondage.

A part of care and maintenance around the home relates to family life, particularly the training of



children. When they see mom and dad willing to do some physical labor to help around the home, they will learn good habits. But if you refuse to get involved, why should they? Where will they ever learn the skills of self-sufficiency?

Some men avoid working on home projects because they say they lack the necessary skills. Well, those skills are learned, not gifted. There are many good books that detail every area of home maintenance. As previously mentioned, at some point in the future many of these skills will be necessities rather than choices.

### **Variable Income Planning**

Many people with fluctuating incomes get trapped into debt because they borrow during lean months and spend what they make during high-income months, rather than repaying what they previously borrowed.

Living on a fluctuating income can be very deceiving—and difficult. Months of high income can easily be construed as a windfall profit. To properly budget a variable income you must conservatively estimate what your annual income is likely to be, divide that by 12, and then develop your monthly budget based on that amount. You should put all your income into a savings account and withdraw your average monthly salary from that account each month. This method will allow surplus funds from higher income months to accumulate in the savings account to cover budgeted expenses during months of lower income.