

## Budgeting Guide

A budget is an important tool that lets you compare how much money you have coming in to how much you have going out every month. It also helps you analyze your spending habits and differentiate between discretionary (items you can easily change) and non-discretionary (items that are not so easily changed) expenses.

Unfortunately many people think budgeting is only important when money is scarce and not when things are going smoothly – however this is the best time to budget and take advantage of positive cash flow. Finally, it's important to have an 'effective' budget – one that you can stick with over many months. A budget that is too restricted will make you feel overly confined and lead you to abandon it prematurely.

Use a small notebook or calendar to track your expenses over a 30-day period. At the end of this 30-day period, include all the expenses recorded into the appropriate categories in the 'Amount' column. It's important to remember that non-monthly expenses should be averaged into a monthly amount. Remember to budget for items like car maintenance and any planned vacations or other major purchases.

Estimate of Current Living Expenses		
Category	Amount	Goal
<b>Housing</b>		
Rent or Mortgage		
Property Taxes		
Heating		
Electricity		
Water		
Insurance		
Maintenance and Repairs		
Other		
<b>Total A</b>		
<b>Food/Household/Medical</b>		
Food		
Telephone		
Cable TV		
Personal Care		
Clothing		
Medical / Dental		
Other		
<b>Total B</b>		
<b>Transportation</b>		
Car Payments		
Gas and Oil		
Repairs and Maintenance		
Insurance		
License		
Public Transportation		
Other		
<b>Total C</b>		
<b>Discretionary Expenses</b>		
Eating out		
Entertainment		
Club Membership		
Day Care / Babysitting		
Books, Magazines, etc.		
School Fees, Tutoring, etc.		
Gifts, Donations		
Vacations		
Legal, Accounting, Financial Counselling		
Other		
<b>Total D</b>		

<b>Debt Servicing</b>		
	Credit Cards	
	Personal Line of Credit	
	Term Loans	
	Student Loans	
	Consolidation Loan	
	<b>Total E</b>	
<b>Monthly Retirement Savings (F)</b>		
<b>Monthly Emergency Fund / Other (G)</b>		
<b>Total A+B+C+D+E+F+G</b>		
<b>Net Monthly Income</b>		
<b>Surplus / Shortfall</b>		

### Once completed, if you are in a:

**Surplus situation** – You can still take advantage of an effective budget. Doing so will enable you to reduce discretionary spending while increasing the amount of money you save for retirement, an emergency fund or any other goal you are working towards. Contrary to popular belief, this is the best time to implement a budget because you can ensure you are using your ‘excess’ cash flow to a maximum benefit.

**Shortfall situation** – You should take immediate steps to come into a positive cash flow situation. You can do so by first starting with discretionary spending. If this is not enough you will have to take further steps and reduce your non-discretionary expenses. Here are some tips to help improve your cash flow:

- Try consolidating your debts to reduce your monthly payment through a lower interest rate.
- Going out costs a lot of money so why not try entertaining at home.
- If possible, work some overtime or consider looking for a second income through a part-time job or small business.
- If your cash flow crunch is short-term due to an illness or any other reason you can contact your creditors and request a lower interim payment or payment holiday, but you should keep in mind that interest charges will continue to accrue.

If your debts are more than your net worth (your total assets minus your total liabilities) you should consult with a professional to investigate whether a bankruptcy, consumer proposal or debt management plan may be right for you.