

Budgeting Basics: The Workbook



Getting Started

Setting up and using a budget involves six basic steps:

- 1 Establish your financial goals: immediate, intermediate and long-term.
- 2 Examine your current financial position. What is your household income and how much do you spend?
- 3 Build a monthly budget for each of 12 consecutive months, itemizing expenses in various categories and estimating how much you can reasonably expect to spend in each category.
- 4 Relate your budget to your overall financial planning. How much money do you expect to have left over after expenses? How will this money be allocated? How long will it take you to reach each goal?
- 5 Throughout each month, make regular entries of your actual expenditures in each expense category. At month-end, total the amounts and match these figures against your original estimates.
- 6 Review and revise the budget to keep it useful and up-to-date.

Deciding on Your Goals

Budget planning begins with goal setting. What do you want your money to buy?

Most goals require you to do some financial planning if they are to become a reality. Which goals are most important to you? When do you want to reach them?

You may find it helpful to group your goals into time categories: short-term, mid-term and long-term. Then rank them in order of importance and note the cost involved. This simple plan will serve as the foundation of your budget and it will give you incentive to keep on track.



Designing Your Budget

A budget is personal. There is no single format that suits all circumstances. Nevertheless, every good budget has certain basic features that make it work:

- Your budget must be realistic. There is no point in setting stringent spending limits that you don't have a hope of meeting.
- Your budget must be both comprehensive and concise. It must include all expenditures that you can predict over the course of a year, but the list should not be so detailed that you will have to spend hours keeping your records up to date.

- Your budget should be flexible. As you work with it, you may find that your original format and estimates can be improved.
- Your budget should cover an extended period – typically one year – and expenditures should be segregated into shorter periods – usually calendar months.
- Your budget should be well-organized. If you can't easily review your entries, you will make mistakes and eventually you may find it too troublesome to work with the budget.
- Your budget requires commitment from everyone who contributes to household income and expenditures. If you have a spouse, companion, or children, involve them in budget discussions.

How you actually set up your budget is a matter of personal choice. To help you with the format, we have created the model in this workbook. You may want to use this exactly as presented, or you may adapt it to your own requirements.

You may find it useful to incorporate into your personal budget the four main sections contained in the working budget. These are “Personal Goals”, “Income”, “Expenses” and “Balance Sheet”.

The next section sets out guidelines for keeping an up-to-date budget record.

Making Entries

When you sit down to draw up a budget and over the months as you record new entries, keep in mind three rules or requirements necessary to the success of your budget:

- 1 Regularity.** Be systematic in keeping track of daily expenditures and bringing your budget record up to date.
- 2 Accuracy.** While it isn't necessary to account for every cent of income and expenditures, you should be reasonably accurate in recording amounts.
- 3 Honesty.** You will only defeat your purpose if you record lower amounts than you have actually spent.

Income

List estimated income amounts for each month and remember to include sources of income other than salary or wages. For example, if you have money invested in stocks or bonds on which you receive an annual dividend or interest payment, record the amount you expect to receive. If this is an estimate, remember to verify it against the actual payment when it is made and correct it if necessary. Also keep the income record up to date during the year, adding any unexpected receipts and making adjustments to other estimated amounts.

Note: If, at some time over the next 12 months, you expect to receive a salary increase, don't include it in the income record until it comes into effect. The increase may turn out to be less than you hoped or it may not materialize after all and, in any event, you may find it quite difficult to arrive at an estimate of the net increase since various deductions will be made by your employer (for tax, pension and so on).

If you are self-employed, remember that you have to pay income tax and Canada Pension Plan (CPP) installments out of your gross receipts. Either write the net income amount in the income record or include an extra category under “Expenses” to provide for these deductions. (Consult Canada Revenue Agency [CRA] current tax guide for individuals in your self-employment category, to determine the appropriate amounts to be deducted.)

Expenses

Organize expenses into categories such as:

- Rent or mortgage payment
- Utilities
- Food and household goods
- Clothing
- Insurance
- Education
- Charity
- Transportation
- Household maintenance
- Hobbies and entertainment
- Vacation
- Other

Personal Goals

Short-Term	Cost Estimate	Target Date
Note the order of importance (most important to least)		
Total Estimate		
Total Monthly		

Mid-Term	Cost Estimate	Target Date
Note the order of importance (most important to least)		
Total Estimate		
Total Monthly		

Long-Term	Cost Estimate	Target Date
Note the order of importance (most important to least)		
Total Estimate		
Total Monthly		
Combined Monthly Totals		

Income

Month _____		
	Budget	Actual
Total		

Month _____		
	Budget	Actual
Total		

Month _____		
	Budget	Actual
Total		

Month _____		
	Budget	Actual
Total		

Month _____		
	Budget	Actual
Total		

Month _____		
	Budget	Actual
Total		

Income

Month _____		
	Budget	Actual
Total		

Month _____		
	Budget	Actual
Total		

Month _____		
	Budget	Actual
Total		

Month _____		
	Budget	Actual
Total		

Month _____		
	Budget	Actual
Total		

Month _____		
	Budget	Actual
Total		

Expenses

For The Month Of _____

Minimum Monthly Savings	Budget	Actual
Total		

Rent or Mortgage Payment	Budget	Actual
Total		

Utilities	Budget	Actual
Total		

Food and Household Goods	Budget	Actual
Total		

Clothing	Budget	Actual
Total		

Health, Insurance, Tuition, Charity	Budget	Actual
Total		

Transportation	Budget	Actual
Total		

Household Maintenance	Budget	Actual
Total		

Hobbies, Entertainment	Budget	Actual
Total		

Vacation/Holiday Savings	Budget	Actual
Total		

Other	Budget	Actual
Total		

Total Expenses (including "Minimum monthly savings")		
Total Income		
Discretionary Income (Total Income less Total Expenses)		

Expenses

For The Month Of _____

Minimum Monthly Savings	Budget	Actual
Total		

Rent or Mortgage Payment	Budget	Actual
Total		

Utilities	Budget	Actual
Total		

Food and Household Goods	Budget	Actual
Total		

Clothing	Budget	Actual
Total		

Health, Insurance, Tuition, Charity	Budget	Actual
Total		

Transportation	Budget	Actual
Total		

Household Maintenance	Budget	Actual
Total		

Hobbies, Entertainment	Budget	Actual
Total		

Vacation/Holiday Savings	Budget	Actual
Total		

Other	Budget	Actual
Total		

Total Expenses (including "Minimum monthly savings")		
Total Income		
Discretionary Income (Total Income less Total Expenses)		

Expenses

For The Month Of _____

Minimum Monthly Savings	Budget	Actual
Total		

Rent or Mortgage Payment	Budget	Actual
Total		

Utilities	Budget	Actual
Total		

Food and Household Goods	Budget	Actual
Total		

Clothing	Budget	Actual
Total		

Health, Insurance, Tuition, Charity	Budget	Actual
Total		

Transportation	Budget	Actual
Total		

Household Maintenance	Budget	Actual
Total		

Hobbies, Entertainment	Budget	Actual
Total		

Vacation/Holiday Savings	Budget	Actual
Total		

Other	Budget	Actual
Total		

Total Expenses (including "Minimum monthly savings")		
Total Income		
Discretionary Income (Total Income less Total Expenses)		

Expenses

For The Month Of _____

Minimum Monthly Savings	Budget	Actual
Total		

Rent or Mortgage Payment	Budget	Actual
Total		

Utilities	Budget	Actual
Total		

Food and Household Goods	Budget	Actual
Total		

Clothing	Budget	Actual
Total		

Health, Insurance, Tuition, Charity	Budget	Actual
Total		

Transportation	Budget	Actual
Total		

Household Maintenance	Budget	Actual
Total		

Hobbies, Entertainment	Budget	Actual
Total		

Vacation/Holiday Savings	Budget	Actual
Total		

Other	Budget	Actual
Total		

Total Expenses (including "Minimum monthly savings")		
Total Income		
Discretionary Income (Total Income less Total Expenses)		

Expenses

For The Month Of _____

Minimum Monthly Savings	Budget	Actual
Total		

Rent or Mortgage Payment	Budget	Actual
Total		

Utilities	Budget	Actual
Total		

Food and Household Goods	Budget	Actual
Total		

Clothing	Budget	Actual
Total		

Health, Insurance, Tuition, Charity	Budget	Actual
Total		

Transportation	Budget	Actual
Total		

Household Maintenance	Budget	Actual
Total		

Hobbies, Entertainment	Budget	Actual
Total		

Vacation/Holiday Savings	Budget	Actual
Total		

Other	Budget	Actual
Total		

Total Expenses (including "Minimum monthly savings")		
Total Income		
Discretionary Income (Total Income less Total Expenses)		

Expenses

For The Month Of _____

Minimum Monthly Savings	Budget	Actual
Total		

Rent or Mortgage Payment	Budget	Actual
Total		

Utilities	Budget	Actual
Total		

Food and Household Goods	Budget	Actual
Total		

Clothing	Budget	Actual
Total		

Health, Insurance, Tuition, Charity	Budget	Actual
Total		

Transportation	Budget	Actual
Total		

Household Maintenance	Budget	Actual
Total		

Hobbies, Entertainment	Budget	Actual
Total		

Vacation/Holiday Savings	Budget	Actual
Total		

Other	Budget	Actual
Total		

Total Expenses (including "Minimum monthly savings")		
Total Income		
Discretionary Income (Total Income less Total Expenses)		

Expenses

For The Month Of _____

Minimum Monthly Savings	Budget	Actual
Total		

Rent or Mortgage Payment	Budget	Actual
Total		

Utilities	Budget	Actual
Total		

Food and Household Goods	Budget	Actual
Total		

Clothing	Budget	Actual
Total		

Health, Insurance, Tuition, Charity	Budget	Actual
Total		

Transportation	Budget	Actual
Total		

Household Maintenance	Budget	Actual
Total		

Hobbies, Entertainment	Budget	Actual
Total		

Vacation/Holiday Savings	Budget	Actual
Total		

Other	Budget	Actual
Total		

Total Expenses (including "Minimum monthly savings")		
Total Income		
Discretionary Income (Total Income less Total Expenses)		

Expenses

For The Month Of _____

Minimum Monthly Savings	Budget	Actual
Total		

Rent or Mortgage Payment	Budget	Actual
Total		

Utilities	Budget	Actual
Total		

Food and Household Goods	Budget	Actual
Total		

Clothing	Budget	Actual
Total		

Health, Insurance, Tuition, Charity	Budget	Actual
Total		

Transportation	Budget	Actual
Total		

Household Maintenance	Budget	Actual
Total		

Hobbies, Entertainment	Budget	Actual
Total		

Vacation/Holiday Savings	Budget	Actual
Total		

Other	Budget	Actual
Total		

Total Expenses (including "Minimum monthly savings")		
Total Income		
Discretionary Income (Total Income less Total Expenses)		

Expenses

For The Month Of _____

Minimum Monthly Savings	Budget	Actual
Total		

Rent or Mortgage Payment	Budget	Actual
Total		

Utilities	Budget	Actual
Total		

Food and Household Goods	Budget	Actual
Total		

Clothing	Budget	Actual
Total		

Health, Insurance, Tuition, Charity	Budget	Actual
Total		

Transportation	Budget	Actual
Total		

Household Maintenance	Budget	Actual
Total		

Hobbies, Entertainment	Budget	Actual
Total		

Vacation/Holiday Savings	Budget	Actual
Total		

Other	Budget	Actual
Total		

Total Expenses (including "Minimum monthly savings")		
Total Income		
Discretionary Income (Total Income less Total Expenses)		

Expenses

For The Month Of _____

Minimum Monthly Savings	Budget	Actual
Total		

Rent or Mortgage Payment	Budget	Actual
Total		

Utilities	Budget	Actual
Total		

Food and Household Goods	Budget	Actual
Total		

Clothing	Budget	Actual
Total		

Health, Insurance, Tuition, Charity	Budget	Actual
Total		

Transportation	Budget	Actual
Total		

Household Maintenance	Budget	Actual
Total		

Hobbies, Entertainment	Budget	Actual
Total		

Vacation/Holiday Savings	Budget	Actual
Total		

Other	Budget	Actual
Total		

Total Expenses (including "Minimum monthly savings")		
Total Income		
Discretionary Income (Total Income less Total Expenses)		

Expenses

For The Month Of _____

Minimum Monthly Savings	Budget	Actual
Total		

Rent or Mortgage Payment	Budget	Actual
Total		

Utilities	Budget	Actual
Total		

Food and Household Goods	Budget	Actual
Total		

Clothing	Budget	Actual
Total		

Health, Insurance, Tuition, Charity	Budget	Actual
Total		

Transportation	Budget	Actual
Total		

Household Maintenance	Budget	Actual
Total		

Hobbies, Entertainment	Budget	Actual
Total		

Vacation/Holiday Savings	Budget	Actual
Total		

Other	Budget	Actual
Total		

Total Expenses (including "Minimum monthly savings")		
Total Income		
Discretionary Income (Total Income less Total Expenses)		

Budget Summary

		Budget	Actual	Difference
January	Income			
	Expense			
February	Income			
	Expense			
March	Income			
	Expense			
April	Income			
	Expense			
May	Income			
	Expense			
June	Income			
	Expense			
July	Income			
	Expense			
August	Income			
	Expense			
September	Income			
	Expense			
October	Income			
	Expense			
November	Income			
	Expense			
December	Income			
	Expense			
Total Income				
Total Expenses				

The Bottom Line

Once your budget is complete, you can calculate the difference between your expenses and income – the amount of discretionary income you have left.

Discretionary income represents the bottom line in more than a physical sense. It is, in effect, a measure of the success of your budget. The whole point of budgeting is to control your spending so that you keep back an increasing proportion of your income for other purposes. These “other purposes” are, of course, centered on your personal financial goals.

Budget Review

It is important to note how realistic your budget is and how successful you have been in keeping to it over the course of the year. Record the difference between your budget estimates and your actual spending. A consistently wide gap between the two figures could indicate your original estimates were too high or low, or that you are overspending.

A budget review will be helpful to you in planning a new budget for the next 12 months. You should also review the monthly expense record and, if you have overspent, identify the items that threw you off budget. Be patient. It will take a little time to get used to controlling your spending. But working with a budget can become an easy, automatic habit.

Using the Budget in Financial Planning

A budget assists with financial planning in a number of important ways.

- 1 Your budget requires you to decide exactly what your goals are and to establish priorities among those goals.
- 2 Your budget enables you to make better use of the money that comes into your hands.
- 3 Your budget also helps you to see whether all of your goals are attainable, given your current earning level and your income expectations in the long term.
- 4 Your budget can broaden your understanding of both the function of money and its potential.
- 5 Your budget tests your commitment to your goals.

If your budget is well thought out and you stick to it, you will have a certain amount of money – discretionary income – to use for “other purposes” than covering predictable expenses.

Cash surplus should never be left idle in a non-interest-bearing account. There are many options, and the more surplus you have, the wider your range of choices. Speak to your credit union about the options that might be best for your situation.



© HANDS & GLOBE Design is a registered certification mark owned by the World Council of Credit Unions, used under license.
© 2017 Canadian Credit Union Association. All rights reserved.

This publication is provided for informational purposes only. The information in this publication is summary in nature and does not constitute legal or financial advice. The Canadian Credit Union Association hereby disclaims all warranties as to the accuracy of any of the information in this publication and disclaims all liability for any actions taken in reliance on this information. Any copying, redistribution or republication of this publication, or its content, is strictly prohibited.

Prepared with assistance by Concentra, Central 1 and Peter Bellworthy, Credit Union Consulting.