

**QUESTIONNAIRE – PART II**  
**Budget Data**

*Personal and Confidential*

Client: \_\_\_\_\_

Date: \_\_\_\_\_

## **HOW TO SET UP A SUCCESSFUL BUDGET**

The basic purpose of a personal budget is to plan how an individual's money will be spent. Given limited financial resources, a budget is a method of managing personal cash flow, to both meet current obligations as well as provide for future spending.

### **Reasons to Prepare a Personal Budget**

The creation and use of a personal budget serves two key functions:

- **A planning tool:** Correctly used, a personal budget can insure that income and expenditures match, both in amount and timing. It can serve to spotlight potential cash-flow problems, as well as identify opportunities to make better use of current income.
- **A yardstick to measure progress:** By comparing the planned budget against actual results, an individual can see if progress is being made toward meeting specific goals. This measuring process will often highlight areas where changes should be made.

### **Preparing a Personal Budget**

There are a number of steps involved in preparing and using a personal budget:

- **Past income and expenditures:** This initial step is to record information on past cash flow, both income and spending. Ideally, a year's worth of data should be gathered, to even out the effect of seasonal variations (e.g., heating bills are usually less in summer than in winter). Paycheck stubs, check registers, cancelled checks, copies of paid bills and recent income tax returns are excellent sources of this information. If desired, an individual may want to keep a daily spending diary for a short period of time.
- **Establish goals and designate resources:** Explicit goals should be set, with dollar amounts and a realistic time frame within which each goal is to be accomplished. From the available cash flow, specific dollar amounts are dedicated towards meeting each goal. Goals can be simple and immediate (making ends meet each month) or they can be more complex and long term (funding retirement).
- **Maintain records:** Perhaps the most difficult part of the budgeting process is consistently keeping adequate monthly records of income and expenditures.
- **Periodic review:** A periodic review, comparing the planned budget with actual results, provides a means of measuring progress toward an individual's goals. The review will usually indicate if changes should be made, either in income, expenditures or both.

**Setting up a budget that will work for you is the first step in Financial Planning. Here's how to do it right:**

1. Start with a canned budget worksheet (see attached). The extra identical page is to be used for second homes, rental property, additional vehicles, etc. Feel free to make copies/add pages as necessary.
2. Go through your check book or bills for the last two to three months and add and delete categories from the worksheet to fit your expenditures.
3. Think about your hobbies and your habits and be sure to add categories for these expenses.

4. Go through your pay stubs and calculate your average monthly gross pay.
5. Do the same for any interest income, dividends, bonuses, or other miscellaneous income.
6. For each expense category, try to determine a budget amount that realistically reflects your actual expenses while setting targeted spending levels that will enable you to save money.
7. Once you're comfortable with your expense categories and budgeted amounts, enter expenditures from your checkbook from the last month.
8. Keep track of cash expenditures throughout the month and total and categorize these at the end of each month. **Financial software like Quicken or Microsoft Money makes this task much, much easier.**
9. Subtotal the income and expense categories.
10. Subtract the total expenses from the total income to arrive at your net income.
11. If the number is negative, your expenses are greater than your income. Your situation can probably be greatly improved by changing your spending habits.
12. If you have a positive net income, transfer most of it to a savings or investment account at the end of each month. Extra cash left in a regular checking account has a way of getting spent.
13. After you've tracked your actual spending for a month or two, analyze your spending to identify where you can comfortably make cuts.
14. Once you've got the budgeting process in place, take an in-depth look at your largest spending categories, brainstorm about ways to reduce spending in specific categories, and set realistic goals.
15. Update your budget and expenses monthly.

#### Tips:

1. Don't try to fit your expenses into somebody else's budget categories. Tailor the categories to fit your own situation.
2. Make your categories detailed enough to provide useful information, but not so detailed that you become bogged down in trivial details.
3. Think of your budget as a tool to help you get out of debt and save money, not as a financial diet.

#### Goals & Benchmarks:

1. Try to **save at least 15%** of your gross income.
2. Try to **budget no more than 35% of the remaining 85% for your home mortgage** (including PMI).

## Budget

### Personal and Family Expenses

Category	Monthly Budget Amount	
	Current	Alt 1 / Retirement
Alimony		
Bank Charges		
Books/Magazine		
Business Expense		
Care for Parent/Other		
Cash - Miscellaneous		
Cell Phone		
Charitable Donations		
Child Activities		
Child Allowance/Expense		
Child Care		
Child Support		
Child Tutor		
Clothing - Client		
Clothing - Spouse		
Clothing - Children		
Club Dues		
Credit Card Debt Payment		
Dining		
Education		
Entertainment		
Gifts		
Groceries		
Healthcare - Dental		
Healthcare - Medical		
Healthcare - Prescription		
Healthcare - Vision		
Hobbies		
Household Items		
Laundry/Dry Cleaning		
Personal Care		
Personal Loan Payment		
Pet Care		
Public Transportation		
Recreation		
Self Improvement		
Student Loan Payment		
Vacation/Travel		
Other		

### Personal Insurance Expenses

Category	Monthly Budget Amount	
	Current	Alt 1 / Retirement
Disability for Client		
Disability for Spouse		
Life for Client		
Life for Spouse		
LTC for Client		
LTC for Spouse		
Medical for Client		
Medical for Spouse		
Umbrella Liability		
Other		

### Taxes

Category	Monthly Budget Amount	
	Current	Alt 1 / Retirement
Client FICA		
Client Medicare		
Spouse FICA		
Spouse Medicare		
Federal Income		
State Income		
Local Income		
Other		

### Income

Category	Monthly Budget Amount	
	Current	Alt 1 / Retirement
Employment		
Other		

# Budget

## Home Expenses

Description: \_\_\_\_\_

Category	Monthly Budget Amount	
	Current	Alt 1 / Retirement
First Mortgage		
Second Mortgage		
Equity Line		
Real Estate Tax		
Rent		
Homeowner's Insurance		
Association Fees		
Electricity		
Gas/Oil		
Trash Pickup		
Water/Sewer		
Cable/Satellite TV		
Internet		
Telephone (land line)		
Lawn Care		
Maintenance - Major Repair		
Maintenance - Regular		
Furniture		
Household Help		
Other		

## Vehicle Expenses

Description: \_\_\_\_\_

Category	Monthly Budget Amount	
	Current	Alt 1 / Retirement
Loan Payment		
Lease Payment		
Insurance		
Personal Property Tax		
Fuel		
Repairs/Maintenance		
Parking/Tolls		
Docking/Storage		
Other		

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