

Creating a Budget



► What is a Budget?

A budget is a detailed list of your income and expenses. The purpose of the budget is to track the money you earned (or your income) against the money you owe (or your expenses) so you can plan how you will spend and save it.

► Benefits to Creating and Maintaining a Budget

- Using a budget helps you track your income and expenses.
- A budget also gives you an accurate idea of your financial situation and where your money is going.
- Not having a budget could cause problems later on, especially if you incorrectly estimated how much money you would have available each month to pay for expenses.
- A budget helps you identify any extra money you have which you could put in your emergency savings account.

A good starting point is to maintain the Spending & Savings Plan you created when you attended VHDA's free First-time Homebuyer class. You can download a blank copy of the plan from vhda.com/SpendingAndSavingsPlan.

► VHDA's Spending & Savings Plan

There are two major sections of the plan: income and expenses.

- **Income** is money coming in regularly. You'll want to include all earned income from documented sources, like paychecks or payments for services you provide (for example, freelance work, etc.).
- **Expenses** is money going out for payments you make. There are three kinds of expenses: fixed, flexible and debt.

Three Kinds of Expenses

- ▶ **Fixed expenses** are expenses that are regular and expected. Examples include your mortgage payment, child care and your utility bill.
- ▶ **Debt expenses** are credit obligations you typically pay on a monthly basis. Examples include payments made towards credit card debt, vehicle loans and student loans.
- ▶ **Flexible expenses** are expenses of varying amounts and/or not occurring regularly. Examples include grocery bills, clothing, school supplies, putting gas in your car and things you do for fun (like going to the movies or taking an arts-and-crafts class).

To accurately track what you spend on your flexible expenses, keep a small notebook in your purse or pocket, or use an app on your smart phone. You can carry these with you and record what you're spending money on. Also, you can save your daily receipts from your flexible expenses in an envelope and track the total at the end of the week. A good tip is to keep paper copies and digital copies of all your receipts.

HOUSEHOLD SPENDING & SAVING PLAN			
FAMILY SIZE			
Adults	_____		
Children	_____		
NET MONTHLY INCOME		Now	With House
Source 1	_____	_____	_____
Source 2	_____	_____	_____
Source 3	_____	_____	_____
Total Income (A)		_____	
FIXED EXPENSES		Now	With House
Rent/Mortgage	_____	_____	_____
Electric	_____	_____	_____
Gas/Oil	_____	_____	_____
Water/Sewer	_____	_____	_____
Cell/Home Phone	_____	_____	_____
Streaming Services	_____	_____	_____
Internet Service	_____	_____	_____
Trash Pickup	_____	_____	_____
Television Services	_____	_____	_____
Medical Insurance	_____	_____	_____
Auto Insurance	_____	_____	_____
Life Insurance	_____	_____	_____
Renter/Home Insurance	_____	_____	_____
Child Support/Alimony	_____	_____	_____
Child Care	_____	_____	_____
HOA/Condo Fees	_____	_____	_____
Other	_____	_____	_____
Total Income (B)		_____	
DEBT PAYMENTS		Now	With House
Automobile Loan	_____	_____	_____
Other Loans (Personal, furniture, etc.)	_____	_____	_____
Student Loans	_____	_____	_____
Major Credit Cards	_____	_____	_____
Other Purchase Cards (Dept. store, Gas etc.)	_____	_____	_____
Total Debt (C)		_____	
FLEXIBLE EXPENSES		Now	With House
Savings	_____	_____	_____
Groceries/Food Delivery	_____	_____	_____
Eating Out (work, etc.)	_____	_____	_____
Entertainment/Hobbies	_____	_____	_____
Laundry/Dry Cleaning	_____	_____	_____
Clothing	_____	_____	_____
Cleaning Supplies	_____	_____	_____
Auto Gas/Electric	_____	_____	_____
Auto Maintenance	_____	_____	_____
Ride Sharing or Service	_____	_____	_____
Parking/tolls	_____	_____	_____
App Purchase	_____	_____	_____
Alcohol/Cigarettes	_____	_____	_____
Church/Charity	_____	_____	_____
Tuition/Books	_____	_____	_____
Barber/Salon Services	_____	_____	_____
Membership (Gym, etc.)	_____	_____	_____
Doctor/Dentist	_____	_____	_____
Pets	_____	_____	_____
Lottery/Bingo	_____	_____	_____
Lawn Care	_____	_____	_____
Maintenance/Repairs	_____	_____	_____
Other	_____	_____	_____
Total Flexible (D)		_____	
EXPENSES		Now	With House
Fixed (B)	_____	_____	_____
Debt (C)	_____	_____	_____
Flexible (D)	_____	_____	_____
Total Expenses (E)		_____	
Subtract Expenses from Income (A - E)			
Total Income (A)	_____		
Total Expenses (E)	_____		
Difference + or -	_____		
Applicants Signature: _____			
Applicants Signature: _____			
<small>CERTIFICATION: I hereby certify that I have reviewed the above budget with the applicant(s) and concur that it is reasonable. Lender or Counselor Signature: _____</small>			

Sample Spending and Savings Plan Worksheet

► Budget Results

- If your budget shows you have extra unspent money, consider “paying yourself” and depositing some or all of it into your emergency savings account.
- If your budget shows you should have extra money but you know you’ve spent it, a good idea is to use your small notebook to track your expenses for one or two months. This will help you identify where your money actually goes each month.
- If the result shows a negative amount, this means you’re spending more money than you have. You’ll want to review your expenses to determine where there might be opportunities to cut back.



► Next Steps

- You are strongly encouraged to maintain your budget! Review and adjust your spending habits every few months, especially when your income and/or expenses increase or decrease significantly. You have the power to decide how your money is spent, and you can change your spending habits – especially if your Spending and Savings Plan shows you’re spending more than you have.
- A good tip is to set aside a specific amount for flexible expenses each month. You can also reduce what you’re spending on a particular habit. Another option is to eliminate a flexible expense entirely, if possible.