Securing Your Future Together

BUDGETING

By EDWIN G. ROMERO, MBA, CHIEF FINANCIAL OFFICER

HONORING GOD
This material has been prepared for informational and educational purposes only. It is not intended to provide, and should not be relied upon for investment, accounting, legal or tax advice.
Planning
The Fact

59%
of households do not have a budget.
Meet the average **American** family…

- They have no mutual funds, stocks, or bonds.
- $16,883 credit card balance
- 19% have $0 saved to cover emergency expenses
- 31% have less than $500 in emergency savings
- The house is worth $200,000
- But the family owes $137,000 on it to the bank.
- They make $59,039 a year.
- 21% have no retirement savings at all
What is a Budget?

Simplified…

A budget is a framework to strategically assist you in managing your money to best meet your financial goals (needs vs. wants).
“A budget is telling your money where to go instead of wondering where it went.”
—Dave Ramsey

“A mathematical confirmation of your suspicions.”
—A.A Latimer
Why is having a budget important?

• Cultivate better financial practices
• Mitigate stress
• Help you in accomplishing financial goals
Do I need a budget?

• Financial framework (compare actual vs. estimated, long/short term targets)
• Intentionality about your personal & financial goals
• Manage your money flow
• Boost your savings
• Point out unnecessary expenditures
Successful budgets are:

• Well planned
• Consider priorities
• Simple. Realistic. Flexible.
• Executed
• Reviewed and revised
In successful budgets, YOU...

Establish financial targets
- write down and budget goals
- celebrate accomplishment of goals

SHORT TERM
- Vacation savings
- Pay off credit cards
- Christmas
- Birthdays
- Anniversaries, etc.

LONG TERM
- Retirement savings
- Pay off car, house, loans
- 3-6 month emergency savings
Interim Financial Wellness Targets

Age 25  |  Age 35  |  Age 45  |  Age 55  |  Age 65

“You want me to contribute to a Retirement Plan? I’m 22! I just left home and realized I have to buy my own toothpaste!”
Interim Target 25

- Retirement Contributions Started
- Reducing Educational Debt 5-10 Yrs. Plan elimination
- Will & Advance Directive
- Saving towards Emergency Fund
- Saving towards 20% Home Down-Payment
- Appropriate Life Insurance
Interim Target

- Retirement Asset 1.3 x Annual Wages
- Will & Advance Directive
- Three Month Emergency Fund
- Purchase home or Saving towards 20% Home Down Payment
- Appropriate Life Insurance
Interim Target 45

- Retirement Asset 3 x Annual Wages
- Will & Advance Directive
- Six Month Emergency Fund
- Home 35% Owned
- Appropriate Life Insurance
Interim Target 55

- Retirement Asset 5 x Annual Wages
- Will & Advance Directive
- Six Month Emergency Fund
- Home 60% Owned
- Appropriate Life Insurance
Interim Target 65

- Retirement Asset 8 x Annual Wages
- Will & Advance Directive
- Six Month Emergency Fund
- Home 100% Owned
- Medicare Part A
Protect Your Blessings

Keep the Covenant
- Tithes & Offerings
- Time with God
- Be Grateful

Care for your Health
- Healthy Diet
- Control Weight
- Get Moving
- Floss, checkups, protect skin, avoid high-risk activities

Protect your Family
- Estate Planning Documents
- Life Insurance
- Long-Term Disability/Care Insurance

Protect your Assets
- Homeowners Insurance
- Auto Insurance
- Liability Insurance

“What if you woke up today with only the things you thanked God for yesterday.”
–Anonymous
The 3 Bucket Path
The 3 Bucket Path

What do you do with your income?
Acquire assets (material value) or liabilities (debt)?

Assets – Liabilities = Net Worth
Net Worth

Only YOU can build up or hurt your net worth, you own it!

What is the major influence on my net worth?
Income

How you allocate your income is a major part of your net worth.

Where does your income go?
Buckets

Where is my income going?

Bucket #1

Bucket #2

Bucket #3
Bucket #1

Depreciate rapidly or consumed

Bucket #1
The 3 Bucket Path

Example

- $3.00
- $0.00

Interest

Eaten up

Eaten up
Bucket #1
Depreciate rapidly or consumed

Examples:
• Food
• Gas
• Trips
• Gifts
• Entertainment
Bucket #2
Hold value or depreciate slowly

Examples:
- Cars, boats, campers, ATV’s, etc.
- Collectibles (art, etc.)
- Furniture
- Appliances
- Other examples?
Bucket #3

Appreciate or grow in value

Examples:

• Home (more than 1/3 age 65 or older still have a mortgage)
• 403b
• IRA + Pension
• Life Insurance
• Stocks/Mutual Funds
• Savings, rentals, etc.
Buckets

Where is my income going?

Examples
• Food
• Gas
• Trips
• Gifts
• Entertainment

Examples
• Cars, boats, campers, ATV’s, etc.
• Collectibles (art, etc.)
• Furniture
• Appliances
• Other examples?

Examples
• 403b
• IRA + Pension
• Life Insurance
• Stocks/Mutual Funds
• Savings + Investments
Based on the 3 Buckets...

Which bucket adds to your net worth?

Which bucket takes away from your net worth?

If you are going to borrow, which bucket would you borrow for? Which bucket shouldn’t you borrow from?

Which bucket would you insure?
Income

Money earned in exchange for providing a good or service or other sources such as rents or investments.

Expense

An amount of money needed or used to do or buy something.
In successful budgets, YOU

Calculate your NET income from:
(gross – deductions = NET)

• Work wages, rents, investments, child support, interest, etc.

• Monthly, semi-monthly, bi-weekly, weekly
In successful budgets, YOU

Estimate your expenses (mortgage, rent, car payment, food, insurance, child care, utilities, loans, etc.) plus your savings.

• Review past bills, bank and/or credit card statements.

• Fixed or variable (historical average)

• Make a habit of recording ALL expenditures

• Consider unexpected expenses (emergency fund, replenish)

• Savings
What to save for:

• Retirement
• Vacations
• Emergencies
• Lifetime Savings
• Depreciation of Equipment, etc.
# Monthly Equipment Depreciation

<table>
<thead>
<tr>
<th>Item</th>
<th>Monthly</th>
<th>3 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refrigerator</td>
<td>$19.00</td>
<td>$684.00</td>
</tr>
<tr>
<td>Washer</td>
<td>9.00</td>
<td>324.00</td>
</tr>
<tr>
<td>Dryer</td>
<td>8.00</td>
<td>288.00</td>
</tr>
<tr>
<td>Iron</td>
<td>2.00</td>
<td>72.00</td>
</tr>
<tr>
<td>Cook Top</td>
<td>14.00</td>
<td>504.00</td>
</tr>
<tr>
<td>Water Heater</td>
<td>6.00</td>
<td>216.00</td>
</tr>
<tr>
<td>Television</td>
<td>15.00</td>
<td>540.00</td>
</tr>
<tr>
<td><strong>Monthly Total</strong></td>
<td><strong>$73.00</strong></td>
<td><strong>$2,628.00</strong></td>
</tr>
</tbody>
</table>
Payroll Deduction

- Savings Account
- Retirement Account – 403 (b)
- Checking Account
- CDs
- Christmas Club, etc.
# Budget Worksheet

## A. Net Income

<table>
<thead>
<tr>
<th>Gross Monthly</th>
<th>Spouse's Income</th>
<th>Other Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**Subtract employer deductions obligations from gross income**

<table>
<thead>
<tr>
<th>Federal Taxes</th>
<th>State Taxes</th>
<th>FICA</th>
<th>Health</th>
<th>DENTAL</th>
<th>LIFE INSURANCE</th>
<th>RENT/HEAT</th>
<th>OTHER</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**Total Net Income**

## B. Debt Payments

<table>
<thead>
<tr>
<th>Home Mortgage</th>
<th>Personal Loans</th>
<th>Credit Cards</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loan 1</th>
<th>Loan 2</th>
<th>Loan 3</th>
<th>Loan 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**Total**

## C. Living Expenses

<table>
<thead>
<tr>
<th>Utility Bills</th>
<th>Food</th>
<th>Health Services</th>
<th>Education</th>
<th>Entertainment</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Internet</th>
<th>School Tuition</th>
<th>Health Insurance</th>
<th>Magazines</th>
<th>Gasoline</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**Total**

## D. Financial Commitments

<table>
<thead>
<tr>
<th>Emergency Fund</th>
<th>Life Insurance</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investments</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**Total Financial Commitments**

## E. Monthly Balance

<table>
<thead>
<tr>
<th>Total</th>
<th>Monthly Surplus/Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**Note:** This document is for illustrative purposes only. The worksheet should be adjusted to fit your specific financial situation.


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[https://www.empower-retirement.com/me_and_my_money/pdf/Budget_Worksheet.pdf](https://www.empower-retirement.com/me_and_my_money/pdf/Budget_Worksheet.pdf)
# Budget Worksheet

## A. Net Income

<table>
<thead>
<tr>
<th>Your Income</th>
<th>Spouse’s Income</th>
<th>Other Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Monthly</td>
<td>Gross Monthly</td>
<td>Gross Monthly</td>
</tr>
<tr>
<td>$ _______</td>
<td>$ _______</td>
<td>$ _______</td>
</tr>
</tbody>
</table>

Subtract employer deducted obligations from your gross income

- **Federal Taxes**
- **State Taxes**
- **FICA**
- **Health**
- **Dental**
- **Life Insurance**
- **Retirement Plan**
- **Other**

<table>
<thead>
<tr>
<th>Federal Taxes</th>
<th>State Taxes</th>
<th>FICA</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ _______</td>
<td>$ _______</td>
<td>$ _______</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Health</th>
<th>Dental</th>
<th>Life Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ _______</td>
<td>$ _______</td>
<td>$ _______</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Retirement Plan</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ _______</td>
<td>$ _______</td>
</tr>
</tbody>
</table>

Total: $ _______ + $ _______ + $ _______ = $ _______

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https://www.empower-retirement.com/me_and_my_money/pdf/Budget_Worksheet.pdf
### B. Debt Payments

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Mortgage</td>
<td>$ _______</td>
</tr>
<tr>
<td>Autos</td>
<td>$ _______ $ _______ $ _______</td>
</tr>
<tr>
<td>Auto 1</td>
<td>$ _______</td>
</tr>
<tr>
<td>Auto 2</td>
<td>$ _______ $ _______ $ _______</td>
</tr>
<tr>
<td>Loan 1</td>
<td>$ _______</td>
</tr>
<tr>
<td>Loan 2</td>
<td>$ _______</td>
</tr>
<tr>
<td>Loan 3</td>
<td>$ _______</td>
</tr>
<tr>
<td>Loan 4</td>
<td>$ _______</td>
</tr>
<tr>
<td>Credit Cards Card 1</td>
<td>$ _______</td>
</tr>
<tr>
<td>Card 2</td>
<td>$ _______</td>
</tr>
<tr>
<td>Card 3</td>
<td>$ _______</td>
</tr>
<tr>
<td>Card 4</td>
<td>$ _______</td>
</tr>
<tr>
<td><strong>Total Debt</strong></td>
<td>$ _______ + $ _______ + $ _______ = $ _______</td>
</tr>
</tbody>
</table>

### C. Living Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charity</td>
<td>$ _______</td>
</tr>
<tr>
<td>Food</td>
<td>$ _______</td>
</tr>
<tr>
<td>Utilities</td>
<td>$ _______</td>
</tr>
<tr>
<td>Telephone</td>
<td>$ _______</td>
</tr>
<tr>
<td>Auto Gas</td>
<td>$ _______</td>
</tr>
<tr>
<td>Auto Insurance</td>
<td>$ _______</td>
</tr>
<tr>
<td>Cable TV</td>
<td>$ _______ $ _______ $ _______ $ _______</td>
</tr>
<tr>
<td>Internet</td>
<td>$ _______</td>
</tr>
<tr>
<td>School/Daycare</td>
<td>$ _______</td>
</tr>
<tr>
<td>Children Activities</td>
<td>$ _______</td>
</tr>
<tr>
<td>Dry Cleaning</td>
<td>$ _______</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$ _______</td>
</tr>
<tr>
<td>Newspapers/Magazines</td>
<td>$ _______</td>
</tr>
<tr>
<td>Clothing</td>
<td>$ _______</td>
</tr>
<tr>
<td>Hobbies</td>
<td>$ _______</td>
</tr>
<tr>
<td>Home Services</td>
<td>$ _______</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$ _______</td>
</tr>
<tr>
<td>Other</td>
<td>$ _______</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$ _______ + $ _______ + $ _______ = $ _______</td>
</tr>
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</table>

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<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Savings</td>
<td>$ _______</td>
</tr>
<tr>
<td>Debt Reduction</td>
<td>$ _______ $ _______ $ _______</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>$ _______</td>
</tr>
<tr>
<td>Investments</td>
<td>$ _______</td>
</tr>
<tr>
<td>Other</td>
<td>$ _______</td>
</tr>
<tr>
<td><strong>Total Financial Commitments</strong></td>
<td>$ _______ + $ _______ + $ _______ = $ _______</td>
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</table>

### E. Monthly Balance

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total A</td>
<td>$ _______</td>
</tr>
<tr>
<td>Total B</td>
<td>$ _______</td>
</tr>
<tr>
<td>Total C</td>
<td>$ _______</td>
</tr>
<tr>
<td>Total D</td>
<td>$ _______</td>
</tr>
<tr>
<td><strong>Monthly Surplus/Deficit</strong></td>
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Budget Calculator: Empower-retirement.com

Budget Calculator: Bankrate.com

Budget Calculator: Excel Spreadsheet
Vertex42.com

http://www.vertex42.com/Calculators/budget-calculator.html?help
Tips

• Pray, and don’t get discouraged.

• Practice the recording of income and expenses.

• Share details of all extraordinary expenses with your spouse.
Budget

Tips

• Periodical review of the budget is necessary.
• Don’t take a loan for celebrations.
• Take pen before key.
• Cash or other system
The 10-70-20 PLAN
The 10-70-20 PLAN

Use 10% of the working income to set up two funds.

1) An emergency fund equal to 3-6 times your monthly expenses

2) A cash-buying fund to avoid future problems with overextended debts
Use **70%** of the working income to be faithful to God (tithes and offerings) and take care of family expenses.

Both your house mortgage and car payment should come from this category.
Use the 20% category for two things:

1) Eliminate all debts with the exception of your house and car.

2) Use the 20% to pay off credit cards and other debts. Use any extra money you have each month to pay above the minimum payments.
Don’t add to these debts. Work diligently at paying off each debt as quickly as possible.

After debts are paid off, stay with the 10-70-20 plan. The last 20% can be used in various ways. Consider the following suggestions:

- Mission projects and needs
- Children’s education
- Retirement savings
- Pay off house

- Pay cash for cars
- Investments
- Trips, gifts, etc..
In successful budgets YOU WILL constantly review (monthly), evaluate, and:

- Reconcile budgeted vs. actual
- Adjust as necessary
- Always record ALL expenditures
- 3-6 months emergency fund
- Include long-term (including retirement savings) and short-term savings
- Realistic and flexible
- ALWAYS balance
Q & A

Edwin G. Romero
Chief Financial Officer
edwinromero@nadadventist.org
443.391.7308