

# Personal Budget

Many corporate finance tools can be applied to your own personal finances. This week we will do that with budgeting. Chapter 4 of our textbook, *Foundations of Financial Management*, discusses cash budgeting. You will take these corporate concepts and apply them to your personal budget.

A personal budget is a tool you can use to manage your resources as well as to gauge how successful you are in accomplishing your goals. To make this journal impactful it is recommended you use your own personal financial

information. However, this is not a requirement and you may opt to use fictitious numbers instead.

Creating a personal budget is like mapping a course to your financial goals. Budgeting allows you to create a spending plan for your money that can help to ensure you have enough money for the things you need and want. Following a budget can help you to pay down current debts as well as stay out of debt in the future, allowing you to pursue investment opportunities and retirement plans that can help you plan for a secure future.

## Income & Expenses

Take a critical look at where the money comes from and where it goes. Steady income can be planned for, but sporadic income cannot. Necessary expenditures can be planned because we need them, but discretionary expenditures are just those things we might want. Some necessary expenditures are fixed (the same every period), and some are not. These may change your overall plan.

## Your Finances = Your Business

You wouldn't run a business without a plan for revenue and expenditures so you could make a profit. It's important to realize your home finances ARE actually a business and should be run the same way. If you have a plan to achieve your goals, you are far more likely to achieve them.

Budgeting can be daunting and needs to involve the whole family. Everyone who will be impacted by the budget needs to be involved in the planning to make it work.

Download and review the **Personal Budget Template**. This Excel sheet has been pre-populated with tables and formulas that will help you quickly and easily enter your own financial information and create your own monthly budget. Once you have your budget planned out, you can determine how often you want to check in on it: monthly, quarterly, yearly, etc. At the end of each defined period, record your actual income and expenditures in your Income Statement to compare those with your planned Personal Budget.

## Budget vs. Income Statement

It is important to remember that a personal budget is a plan for your money while the income statement is what you actually do with your money. Comparing these two is useful when evaluating your habits versus your goals.

## Budgeting Aids

There are a number of web- and app-based platforms and downloadable options for creating and managing your budget. There are apps for your phone to help track expenses. If you select one of these be sure it is FREE. There are enough free resources available, so there is no need to spend money on this. Here is a short list:

- BudgetPulse ([budgetpulse.com](http://budgetpulse.com))
- BudgetSimple ([budgetsimple.com](http://budgetsimple.com))
- GnuCash ([gnucash.org](http://gnucash.org))
- Mint ([mint.com](http://mint.com))
- YNAB ([youneedabudget.com](http://youneedabudget.com))

This video will provide some simple ratios you can use to help keep your spending in line every month.



