

DEVELOPING A BUDGET THAT WORKS

The failure to budget is NOT a skill issue. It is a will issue.

Overview

- Remapping Poor Thinking
- Active and Passive Budgeting
- Identifying Your Barriers to Success
- Rules of Thumb
- Practical Tips

Remapping Poor Thinking

- What do you think of when you hear the word “budgeting”?
 - Drudgery
 - No fun
 - Bondage
 - Austerity
- We need to remap our thinking. Why?
 - Words lead to thoughts.
 - Thoughts lead to feelings.
 - Feelings lead to actions or (inactions).
- Replace *budgeting* in your vocabulary with *Financial Planning*.

We Are All Budgeting Already

- By default most of us are passive budgeting. By not budgeting you are choosing to budget for the wrong things; i.e. “Where is my money going?”
- Active budgeting requires a goal. (Commit your ways to the Lord and your plans will be established.) Proverbs 16:3
- What are your goals?
 - Putting food on the table
 - Paying the bills each month
 - Paying down debt
 - Funding a college education
 - Building a retirement account
 - Saving a down payment

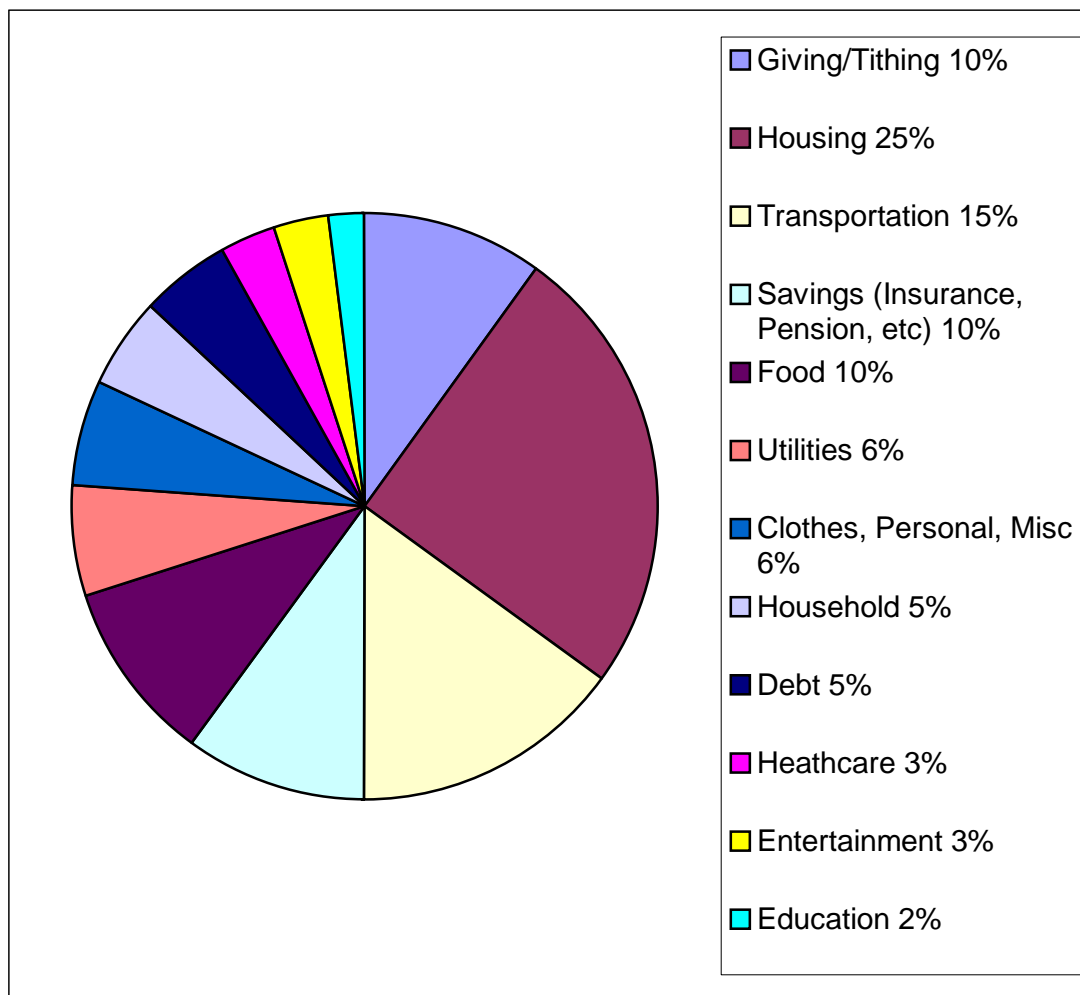
Barriers To Success

What stands in your way right now?

- Credit cards (*The rich rule over the poor and the borrower becomes the lenders slave*). Proverbs 22:7
- Bad habits learned from Mom and Dad
- Discontent (*I have learned to be content...*) Philippians 4:11-12
- Instant gratification (*The fruit of the spirit is...patience*) Galatians 5:22
- Status (*The fear of man brings a snare...*) Proverbs 29:25
- Therapeutic Shopping

Rules of Thumb

- To know how to get to where you are going you have to know where you are.
 - Compare your expenses against the chart below. Where do you deviate?



- Analyze your expenses looking for areas of savings
 - Food and clothing (no brand loyalty).
 - Entertainment (contracts: cable, internet fees, DVD rentals, CD clubs, etc).
 - Eating out
 - Insurance (deductibles)
 - Cash/ATM
- Keep your budget as simple as possible (Don't use software).
- Don't make your budget too austere (Allow yourself the "must haves").
- Don't forget annual and semiannual expenses.

Practical Tips

- Pay the Lord first (*Will a man rob God?*) Malachi 3:8
- Pay yourself second (Trick yourself into saving using automatic deductions).
- Use cash instead of credit cards.
- Save at least 10% of your income.
- Have three to six months of cash on hand.
- Max out 401(k) contributions as long as matched, then move to Roth IRAs.
- Don't spend more than 25% of your after tax income on housing, 15% on transportation, 10% on food and 5% on debt service