

OREGON
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Budgeting

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Budgeting is the hallmark and back bone of any financial plan. It is also one of the hardest things for people to do.

In much of the debt management material offered to consumers and students budgeting is a key component.

Agenda & Goals

After attending this session a student should be able to

- Understand the benefits of a proper budget
- Be able to create and track their own budget
- Identify monthly waste
- Understand the difference between fixed and variable costs

Budgeting: The Hardest Thing to Do

Budgeting – *is* the hardest and most important component of any financial plan

Why people fail to budget:

- Painful
- Not important at the time
- Let someone else do it
- Hubris – “I know what I am doing”

Benefits of Budgeting

- Allows you to better assess your current situation
- Leads to the creation of a working cash flow
- Helps you to determine if you can afford to take on extra debt
- Can help you to identify potential problems with your fiscal situation
- It is a life long skill
- Routine

There are Two Types of Budgeting¹

- Informal – Less detailed than formal planning. Informal budgeting doesn't rely on numbers, but more on the individuals understanding of how much money is coming in vs. how much money is going out.
- Formal – Formal budgeting takes into account every detail of a household's expenditures with greater focus on variable expenses than on fixed expenses.

1. Altfest, L. J. (2006). *Personal financial planning*. (1st ed., pp. 122 - 123). New York, NY: McGraw-Hill/Irwin.

So, where do I begin?

First things first, you need to actually set aside the time to sit down and do it

Are you a 'Formal' or 'Informal' budgeter?

Regardless, you still need to know where all of your money is coming from and where all of your money is flowing to

No excuse for lack of 100% accountability.

Steps to a successful Budget

- Identify Your Goals –
 - “I want to save \$300/mo.”
- Gather your information
 - Bank statements, credit card statements, utility bills, etc.
- Review your data
 - Where do you see your money going on a monthly basis.
- Choose your desired course of action
 - Decide what expenses you are going to cut and habits you are going to change.
- Implement your plan
 - Nothing is going to happen unless you begin somewhere
- Review and Update
 - Always look at what you did during the prior month

How to gather information

- Credit Card Reports
- Bank Statements
- Check Registry
- Your Receipts – And Emails

Money Coming In
- Money Going Out
Discretionary Money

Identify Variable v.s. Fixed Expenses

Fixed Expenses	Variable Expenses	Fixed Income	Variable Income
Rent	Groceries	Salary & Wages	Dividends
Car Payment	Entertainment	Bond Income	Gifts
Some Insurance payments	Clothing		Tips
Utilities	Gifts		Tax Refund

Reduce the costs of the fixed and limit the number of variables

How to Identify Waste

- How much food do you throw away each week?
- Cost / Benefit
- Where did it go? (consumables)
- You don't use the discounts available to you

Remember, if you are living off of student financial aid, that waste could be costing you 7.9% in interest.

Or, simply put, \$100 of annual waste is actually equal to \$108.22 in annual waste.

If you have trouble use the resources available to you

- AAMC/FIRST
- Fiscal Counseling Appointment
- Publications.USA.gov
- Mint.com
- There's an App for that
 - Get Rid of those apps that allow you to spend – Amazon, eBay, etc.
- Fellow Students
 - Find out what they are doing to cut costs and do the same if it works for you.

Discover what works for you and stick to it!

Knowing when to 'Splurge'

As noted earlier, budgeting can be a very daunting and painful process.

But it doesn't have to consume your life.

It is ok to loosen up every once in awhile and splurge on yourself.

Just make sure you understand the costs associated with doing so.