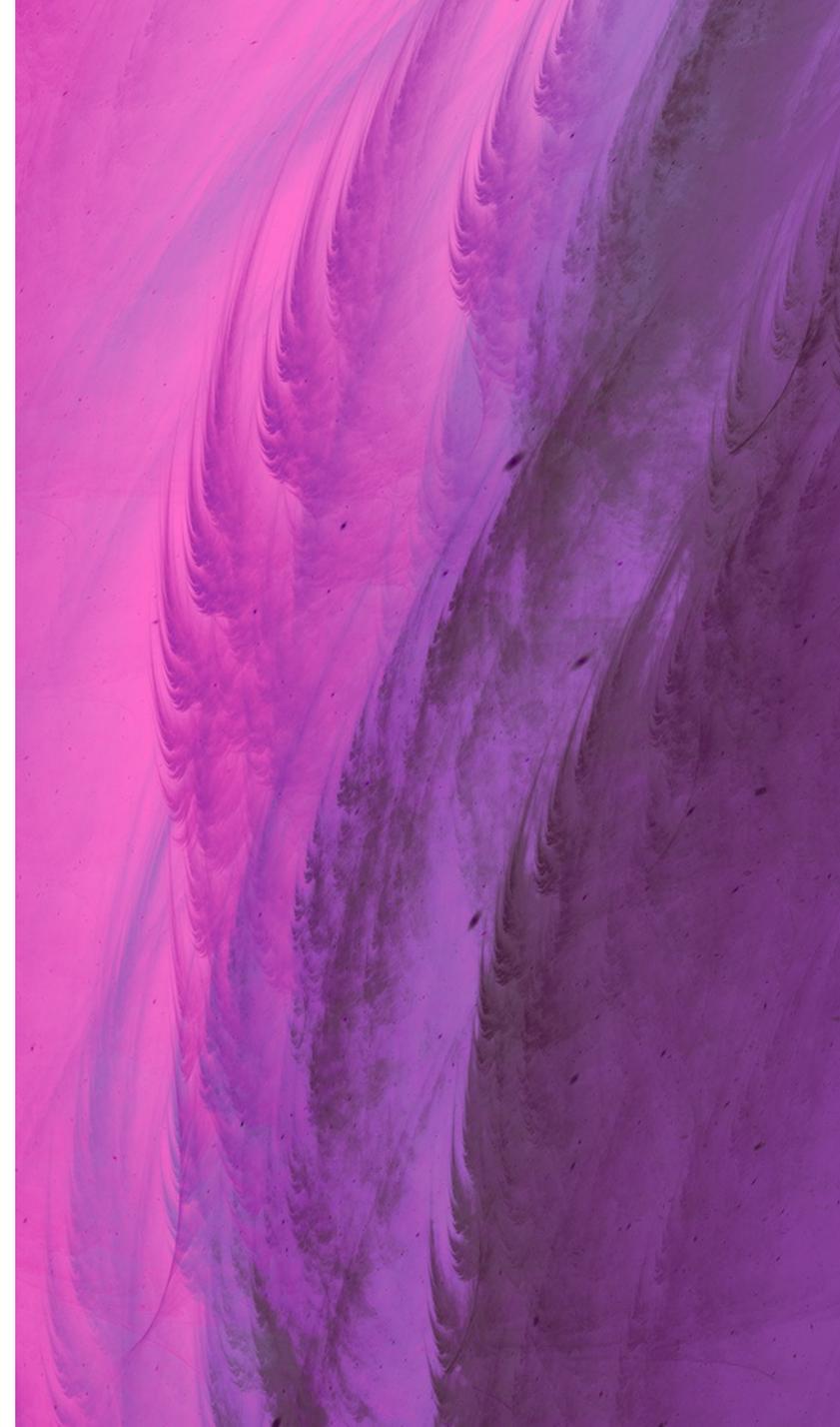


Budgeting 101

5 Smart Strategies to Stay On Top of Your Budget

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What Are We Learning Today?

50/30/20 Budgeting

- What is It?
- Advantages
- Disadvantages

The Envelope System

- What is It?
- Advantages
- Disadvantages

Pay Yourself System

- What is It?
- Advantages
- Disadvantages

Zero-Based Budget

- What is It?
- Advantages
- Disadvantages

The “No” Budget

- What is It?
- Advantages
- Disadvantages

Why We Need to Budget?

Without a Budget, Debt Hurts Our Finances

Did you know that the average Canadian has \$1.59 of debt for every dollar that they make?

Many debt problems come from a lack of budgeting.

However, all is not lost.

It's easy to get started budgeting no matter where you are in your financial life.

When you follow a budget, you can avoid debt, build wealth and enjoy financial peace.

Here's a look at five popular budgeting systems you can start implementing today.

Approach #1

50/30/20 Budget

50/30/20 Budget

What is the 50/30/20 Budget?

The 50/30/20 budget is a straightforward approach where you break down your money into three different categories:

50% on your necessities such as rent or mortgage, insurance, food, gas, and clothing.

30% on our discretionary expenses such as entertainment, vacations, and electronics.

20% on saving, investing, and debt payments.

50/30/20 Budget

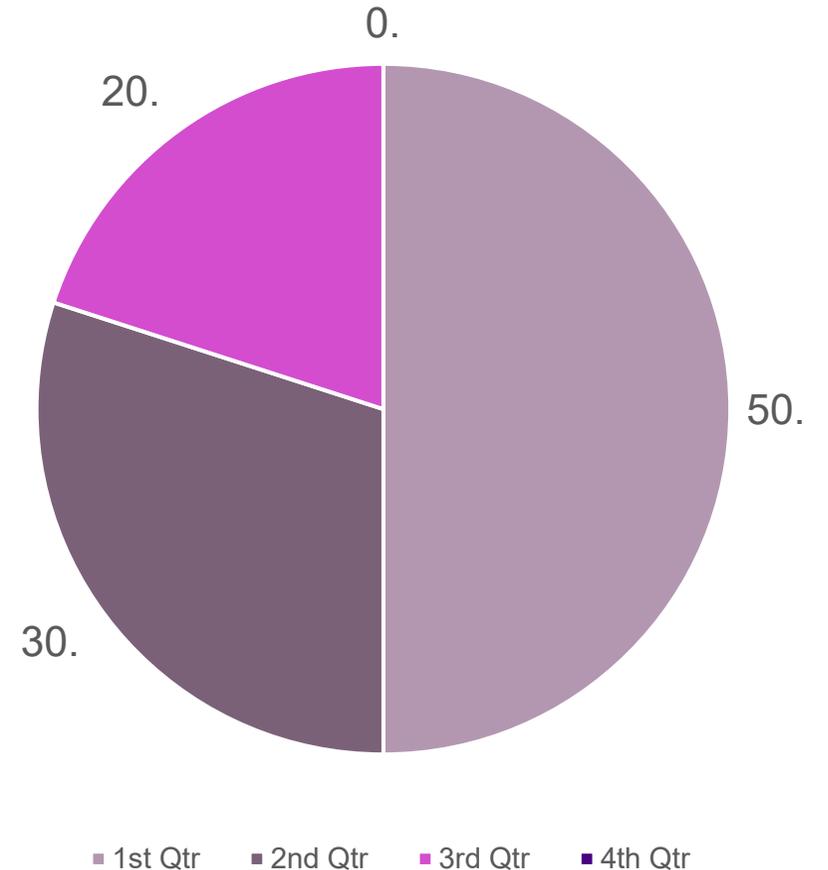
A simple budgeting approach

50% for Needs

30% for Wants

20% for Debt payment, saving and investing

The 50/30/20 Budget Breakdown



50/30/20 Budget

Advantages of a 50/30/20 Budget

- Keeps you disciplined
- Easy to follow
- Helps set priorities

50/30/20 Budget

Disdvantages of a 50/30/20 Budget

- Not very flexible

Approach #2

The Envelope System

The Envelope System

The Envelope System

With The Envelope System, you withdraw all the money that you need for the month and place your money in different envelopes dedicated toward certain expenses.

The Envelope System is designed to prevent you from taking money from other expenses and using it for things that you don't need.

The Envelope System

Example of The Envelope System

After listing out expenses, Ashley withdraws \$5,000 from her bank each month and spreads out the money into eight envelopes.

- \$1,500 for the rent envelope
- \$250 in the entertainment envelope
- \$300 in the health insurance envelope
- \$500 in the investing envelope
- \$300 in the utilities payment envelope
- \$300 in the vacation fund envelope
- \$200 in the fuel envelope
- \$500 in the car payment envelope
- \$500 in the food envelope
- \$250 in the car insurance envelope
- \$400 in the debt payment envelope

The Envelope System

Advantages of The Envelope System

- Creates an easy system to follow
- Makes you better disciplined toward spending

The Envelope System

Disadvantages of The Envelope System

- Withdrawing cash each month is risky
- You could misplace the money
- System may be too rigid for some

Approach #3

The Pay Yourself First

System

The Pay Yourself First System

The Pay Yourself First System

With the Pay Yourself First System, you set aside money first for your debt and savings.

This is an ideal budgeting approach if you are trying to get out of debt or if you are serious about savings or investing.

The Pay Yourself First System

Example of The Pay Yourself First System

Rebecca is paying down a \$50,000 student loan.

She takes home \$5,000 each month and sets aside \$1,000 each month towards paying off her student loan.

The Pay Yourself First System

Advantages of The Pay Yourself First System

- Works great if you are looking to pay down debt
- Works if you want to aggressively save and invest

The Pay Yourself First System

Disadvantages of The Pay Yourself First System

- System does not leave you wiggle room for other types of spending
- You may end up paying yourself too much

Approach #4

The Zero-Based Budget

The Zero-Based Budget

The Zero-Based Budget

With the Zero-Based Budget, you take your complete take home income and list out all of your spending.

Ideally, your spending should be equal to your take home pay.

This allows you to know how 100% of your money is spent.

The Zero-Based Budget

Example of The Zero-Based Budget

Molly makes \$4,500 a month in take home pay.

Each month she lists out all of her expenses so that they equal her take home pay of \$4,500.

- Rent \$1,200
- Car payment \$500
- Car insurance \$300
- Health insurance \$300
- Utilities \$350
- Phone bill \$50
- Food \$500
- Entertainment \$500
- Credit card payments \$300
- Investing \$500

The Zero-Based Budget

Advantages of The Zero-Based Budget

- You know where all of your money is spent
- Allows you to stay organized

The Zero-Based Budget

Disadvantages of The Zero-Based Budget

- Does not allow much flexibility
- You may end up spending too much to reach zero

Approach #5

The “No” Budget

The “No” Budget

The “No” Budget

With the “No” Budget approach, there is a focus on not spending money. Each month, you look at your expenses and see where you can cut spending. This approach is for debt repayment, saving, investing or managing a limited budget.

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The “No” Budget

Example of The “No” Budget

Dana has been overdrawing her account for the last three months. To prevent over-drawing her account again, she looks at ways to cut her budget.

- She cuts down on dining out from two times a week to once a week: \$100 savings
- She cancels one recurring subscription for a streaming service that is rarely used: \$12 savings
- She eliminates impulse shopping and only shops for things that she needs: \$100 savings
- She uses coupons and discounts when shopping for groceries: \$50
- Overall monthly savings \$262

The “No” Budget

Advantages The “No” Budget

- Allows you to better manage a budget
- Helps pay down debt
- Helps increase saving and investing

The “No” Budget

Disdvantages The “No” Budget

- Can feel too constricting
- You may end up cutting out things that you shouldn't cut

Which Budgeting Approach Is Best For You?

Budgeting 101

Which Budgeting Approach is Best for You?

If you are in debt:

- The Pay Yourself First System

If you want to organize your finances better:

- Zero-Based Budgeting System
- Envelop System
- 50/30/20 Budgeting System

If you want to cut down on spending:

- The “No” Budget System

Budgeting Tips

Budgeting 101

Budgeting Tips

1). Consider using a budget app to help you keep track:

- Mint by Intuit
- Pocket Guard
- Personal Capital

2). Pay off your high interest debts first

3). Seek out help from financial counselors

Conclusion

Budgeting 101

Conclusion

1. Budgeting is the key to controlling your financials
2. Pick a budgeting system and stick to it
3. Once you have maintained a budgeting system, you will be able to afford what you need...

...and eventually, you will be able to afford what you want.



THE WOMEN'S COLLECTION
Financial Literacy Designed for Women

LEARNING
For Impact



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