



BUILD A BETTER BUDGET

5 STEPS TO BUILDING YOUR BUDGET

Build A Better Budget

Control Your Money and Change Your Future

Welcome to the Build A Better Budget Workshop!

This is the first step towards taking control of your finances and achieving financial freedom!

I can't tell you how excited I am that you're ready to take control of your money through budgeting.

There are 5 modules in this workbook, here's what they are:

Module 1: Why Building A Budget Matters

Module 2: Determining Your Income

Module 3: How Much Are You Spending

Module 4: Building Your Budget

Module 5: Set Up A [Cash Envelope Budget System](#)

So, what do you think, are you ready to get started?

Before you go any further, there are a couple tools I want you to have.

In the welcome email where you downloaded this workbook, make sure you download the Free Budget Planner. It's an Excel spreadsheet you'll need for the course and afterwards. You can also download this by [Clicking Here](#).

Also, make sure you head to our [Free Resource Library at this link](#) and download the Free Budget Binder. The password to the Library is [livefrugal](#).

Those are FREE tools for you to use when you're setting up your budget every month. You're going to love them!

Module 1: Why Building A Budget Matters

If there is any doubt in your mind of why budgeting is important, stick with me. First let's start with some statistics from recent studies that are related to budgeting:

- Over 60% of American households don't live on a budget
- 50% of American households live paycheck to paycheck
- Over 60% of American households carry credit card debt
- Only 30% of Americans have a \$500 or less emergency fund

Those statistics can be a little alarming. Do you find yourself in one or more of those groups?

What if I told you that when you build your budget, you're going to be able to work your way out of those statistics??

We used to be there, we were living paycheck to paycheck and carrying credit card debt. The thought of having an emergency fund was a pipe dream to us as we struggled to pay the bills.

I'm happy to say that we now have a 6-month emergency fund, we're able to save money, and the only debt we have is our mortgage. All of this happened because we chose to be part of the 1/3 of American households that live on a budget.

Let's give you a few more reason as to how your life can change by simply implementing a budget.

Here are a few examples of how taking back control of your finances is going to change your life forever!

1. **Spend Less Money:** You're going to know exactly where all your money is going each month and you'll have control over it. Once you control your money you're going to be spending less. Spending less money opens the door to saving money.
2. **Save More Money:** I just told you that you would be spending less money after this course, so even if your income doesn't go up I'm going to assume you're saving more money now! We truly believe that controlling your spending and

saving more money is the key to reaching financial freedom. Here are some [Easy Ways to Save Extra Money](#).

- 3. Build an Emergency Fund:** Building an emergency fund is more important than you might realize. How many times have you had to put car repairs on a credit card?? What if the next time your car breaks down or an appliance dies in the kitchen, you could just pay cash for the repairs? It's an amazing feeling when you don't have to worry about life's "surprises" because you have an emergency fund to ease the blow.
- 4. Pay Off Debt:** By controlling your finances and saving more money you will have the power to pay off your debt. Who doesn't want to be debt free?? This is going to be a major factor in you achieving financial freedom!
- 5. Plan for Retirement:** It's never too late to plan for retirement. It's time to stop working for your money and start making it work for you. Pick a method to save for retirement and get going! Check out how we managed to [save \\$100K in 5 years](#) towards our retirement.
- 6. Travel More:** I don't know about you, but we love to travel. That's right, when we took control of our finances we decided to work traveling into the budget. You'll be surprised what you can do with a budget!

Those are only a few examples of how getting your finances under control is going to change your life forever. So why would you wait any longer to get started? Are you ready to get going?

Module 1 Homework Assignment:

What, you didn't think you were going to get out of this without some homework assignments did you? Don't worry, it's nothing too difficult.

Today I want you to think about your goals. What do you want to achieve with your new budgeting lifestyle?

Is it paying off all your debt? Saving money to travel more? Planning for retirement? Saving money for a down payment on a house? Whatever it is, I want you to write it down.

Write down your goals and hang it somewhere you will see it every day. According to a study conducted by Dr. Gail Matthews, when you write out your goals and see it every day you are 42% more likely to achieve them.

That's why I want you to write out your goals. When we [saved \\$20,000 in one year](#) we wrote out our goal with milestones to reach it, and put it on the fridge. It was really motivating to see us get closer and closer to our goal.

When you download the [Printable Budget Binder](#), you'll get a goal sheet that comes with it. Use that to write down your goals!

Make sure you download our Free Personal Budget Planner. This is a Microsoft Excel spreadsheet that I created just for this workbook. You're going to need it for the rest of the course.

If you're not an Excel expert, don't worry, the spreadsheet is super simple to use, and I will walk you through it as we go through each module. This budget planner is set up to do all the calculations for you. How awesome is that!!

[Download the totally FREE Personal Budget Planner here.](#)

That's it for Module 1. In Module 2 we are going to start looking at your income. It's essential to know how much money you make for your budget to work.

Module 2: Determining Your Income

In Module 1 we talked about how taking back control of your finances is going to change your life so let's get started. Module 2 is all about your income and why you should know exactly how much you make.

I don't want to just sit here and blab at you about understanding your finances, I want to give you a real-life example of why it's so important.

Don't Make This Mistake

If you would've met me a decade ago, you wouldn't have wanted to sit with me for 2 minutes to talk about finances.

I had a small, steady paycheck and no responsibilities. I wasn't concerned about my money or where it was going.

I honestly don't even know if I knew how much money I was making each month, but I knew I was spending it left and right. That direct deposit hit my bank account and I knew I had money to spend.

That recklessness had me buying things like a new TV, a crappy car that I WAY overpaid for, a snowboard and ultimately resulted in mounting credit card bills.

It's a good thing I didn't have any emergencies, because I didn't have any money saved let alone an emergency fund.

My Life Now

It wasn't until Cassie and I got married that I really started getting serious about our finances. I started actually looking at my paycheck each month and finally realized just how little I made. That's when we started to turn things around.

Now we live our life together on a very strict budget because we have the same goal in mind, become financially free.

Can you relate to that, not knowing or caring about your financial well-being?

It's scary to think about that time now that I look back.

Why Knowing Your Income is Important

When I think back to those rough days I realize I didn't have a budget, I didn't know how much money I was making, and I definitely didn't care what I spent that money on.

That's no way to live if you want to become debt free, so don't do it!

By the end of this workbook, you're going to set up a monthly budget and, to do that, you need to know your income.

The best way to know how much money you make each month is to simply look at your pay stubs. If you have your paycheck set on direct deposit, look at your bank account.

If you're on salary this is easy, you should get paid the same amount every paycheck. If you're paid hourly your paycheck might vary a little if you work overtime. Either way you'll need to determine your income for each pay period to make your budget work.

If you really want to take control of your finances, knowing your income is the first step.

You will use this to determine how much money you can save each month and if you have enough money to pay the bills.

Module 2 Homework Assignment:

Take 15 minutes to determine how much money you make in a month or in a specific pay period. Make sure you look at all income sources not just your primary income.

Other sources of income could be a rental house, [side hustle](#), social security, or maybe you have an allowance from a rich relative. Whatever it is, make sure your accounting for it during this assignment.

Using the Personal Budget Planner you downloaded yesterday, ([get it here if you forgot](#)) find the month you are planning a budget for and enter your monthly income under the Income Section. It's rows 5-7. It should look something like the screenshot from the Budget Planner Example below.

	Jan
INCOME	
Monthly Wages	2,548.00
Side Hustle Income	1,300.00
Other	0.00
Income totals	3,848.00

That's it for Module 2! In Module 3 we are going to start looking at your expenses.

Module 3 is where a lot of people are a little shocked by how much they spend.

Module 3: How Much Are You Spending

You're doing awesome so far!

I get excited about Module 3 because it's the day where you get to look at all your monthly expenses, and I mean all of them... every single dollar spent!

Where Is Your Money Going??

This module is all about calculating your expenses. This is one of my favorite parts of creating a budget because it's eye opening to see where all your money is going.

Do you know where every single penny you spent last month went? If you're like most people, you probably don't. That should scare you a little bit.

If you don't control your money, you don't know where it's going. At that point, you're letting your money control you and that's no way to live. We're going to change that!

When we create our budget for the month, we plan where every single dollar is going to go. Sounds crazy but it's true, we tell our money where to go so that our money works for us.

Let's get started calculating your expenses. If you're like most people, you probably use a debit/check card for everything you buy.

The easiest way to determine your expenses is to look at your monthly bank statement and see what you bought with your check card.

If you use cash to buy things, then you're going to have a little more work to do. You'll want to make sure you keep your receipts or at least a running list of where you spend your cash and how much.

We always start by writing out our fixed bills for each month. Fixed bills will be things that aren't going to change much month-to-month. The amount you owe on these bills are consistent each month and the day they are due doesn't change.

Examples of Fixed Expenses:

- Rent
- Mortgage
- Cable

- Subscriptions
- Gym memberships
- Phone bills
- Insurance

Make sure you add up all your fixed expenses.

After you have the fixed expenses added up, it's time to work on those variable expenses. These are the expenses that do change each month.

Examples of Variable Expense:

- Gas money
- Groceries
- Money spent on clothes
- Electricity bills
- Going out to eat.

The variable expenses are what we need to get under control in order for you to reach your financial goals. Most people are really shocked to see how much money they are spending each month.

The idea of this module is to open your eyes to how much money you spend each month. The first time we sat down and did this exercise I was shocked at how much money we spent.

Module 3 Homework Assignment:

For Module 3, I want you to calculate all of your expenses...every last one of them. Use what you spent last month to complete this task.

Use the Personal Budget Planner

Using your Budget Planner, fill in all your expenses. See the example on the next page.

	Jan	Feb
INCOME		
Monthly Wages	2,548.00	2,548.00
Side Hustle Income	1,300.00	1,300.00
Other	0.00	0.00
Income totals	3,848.00	3,848.00
EXPENSES		
Auto Draft Payments		
Mortgage/rent	1,250.00	1,250.00
Utilities	100.00	100.00
Cell Phone	75.00	75.00
Cable/Satellite TV	90.00	0.00
Netflix/Hulu	12.00	20.00
Child care	500.00	500.00
Gym Membership	30.00	30.00
Car Insurance	110.00	110.00
Health Insurance	410.00	410.00
Home Totals	2,577.00	2,495.00
Food		
Groceries	750.00	500.00
Restuarants	110.00	60.00
Daily Living Totals	860.00	560.00
Transportation		
Gas/fuel	200.00	200.00
Transportation Totals	200.00	200.00
Entertainment		
Date Night	150.00	75.00
Concerts/clubs	200.00	0.00
Toys	80.00	0.00
Entertainment Totals	430.00	75.00
Total Expenses	4,067.00	3,330.00
Cash Short/Extra	(219.00)	518.00

In the example you can see at the bottom of the spreadsheet that this person spent more money than they made in January.

Total expenses were more than their income, so the Cash Short/Extra column is red.

That probably means credit cards were used and they accumulated some debt. 😞

February, they turned things around and actually saved \$518! If I had to guess, I'd say they started budgeting!

This tool makes it really easy to see what months you stuck to your budget and what months you didn't.

That's it for Module 3. In

Module 4 we are going to use this information to start putting your budget together!!

Module 4: Building Your Budget

In Module 4, we finally start putting together a budget using all the information you gathered from Module 2 and Module 3.

Open your Personal Budget Planner

Let's take a look at your Personal Budget Planner. Was your Cash Short/Extra row at the bottom red or green after Module 3? If it's green that's a good thing but there is always room for improvement. If that row is red, well.... We're going to turn it green this month!

The whole purpose of creating a budget is to control where your money goes. When you budget, you're essentially setting limits on how much money you can spend. However, I like to think of it as planning how much I'm going to save each month.

When we sit down to do our budget, we start with our income and then subtract our fixed expenses first. The amount of money that's left is what we have to work with in our budget.

Once you know how much money you have left over after fixed expenses are factored in, it's time to plan where the rest of your money will go.

Developing your Budget

Step 1: The first thing I want you to do, using your Personal Budget Planner, is to enter your income and expenses into the month you are planning for. Make sure you capture all of your income sources as well as all of your expenses.

Don't leave anything out, you don't want any surprises.

Step 2: Look at the Cash Short/Extra row at the bottom of the spreadsheet. Is that row red or green? If it's red, our goal this month is to break even. If that row is green, your goal this month is to make the number you save even bigger.

Step 3: Go through your expenses and find areas you can cut back on spending. Do you have any old memberships or subscriptions you can cancel? Can you cut out Cable and just use Hulu or Netflix? Can you cut back on your grocery spending for the month?

Whatever it is, this is the time to find ways to cut back your expense little by little until you start saving a lot of money.

Look at the example below.

	Jan	Feb
INCOME		
Monthly Wages	2,548.00	2,548.00
Side Hustle Income	1,300.00	1,300.00
Other	0.00	0.00
Income totals	3,848.00	3,848.00
EXPENSES		
Auto Draft Payments		
Mortgage/rent	1,250.00	1,250.00
Utilities	100.00	100.00
Cell Phone	75.00	75.00
Cable/Satellite TV	90.00	0.00
Netflix/Hulu	12.00	20.00
Child care	500.00	500.00
Gym Membership	30.00	30.00
Car Insurance	110.00	110.00
Health Insurance	410.00	410.00
Home Totals	2,577.00	2,495.00
Food		
Groceries	750.00	500.00
Restuarants	110.00	60.00
Daily Living Totals	860.00	560.00
Transportation		
Gas/fuel	200.00	200.00
Transportation Totals	200.00	200.00
Entertainment		
Date Night	150.00	75.00
Concerts/clubs	200.00	0.00
Toys	80.00	0.00
Entertainment Totals	430.00	75.00
Total Expenses	4,067.00	3,330.00
Cash Short/Extra	(219.00)	518.00

You can see that January was a bad month. This person over spent by \$219.

In February they chose to cut back on their spending in certain areas. By reducing how much they spend on the highlighted areas, they will be able to save \$518!!

Use this spreadsheet to decide which areas to cut back on each month.

Step 4: Now that you have cut back on your expenses, look at the bottom row again, is it green? If the Cash Short/Extra row isn't green you need to find more ways to cut back on your spending.

Try to use the want versus need principle. As you go through your expenses decide, is each one a want or a need.

Step 5: Make sure you have a total dollar value for each

category on the spreadsheet and by category, I mean things like Food, Transportation,

Entertainment. Basically, all the pink headers in your Budget Planner that have a dollar value associated with them.

That total dollar value is going to be the budgeted amount you're able to spend during the month. If you stick to those budgeted amounts, you will have money left over at the end of the month. See, it's not that hard to budget your money!

In Module 5 we will walk through how to set up a cash envelope budget system. This is the same budget system we have used for over a decade.

It helped us pay off our debt and save over \$100,000 in just 5 years. I know it can help you too!

Module 5: Create Your Cash Envelope Budget System

In this Module we're going to build a budget system that actually works. I'm going to show you the system that we use to keep our spending under control.

It's called the Cash Envelope System. If you want to get a really detailed description of this style of budgeting system, you can read more about it in our [Beginners Guide to the Cash Envelope System](#).

If you've never heard of the Cash Envelope Budget System here is a basic overview.

You create budget categories and for each category you have an envelope. You put cash in each category envelope and use the cash to buy things.

When the cash is gone you have no money left to spend on that category. Sounds pretty simple, right? Well, it is and that's why we love it so much.

This budgeting system is super simple to use, I'm sure you'll love it.

Remember in Module 4 when we set up our Budget Planner and in Step 5 I told you to make sure there is a total dollar value for each category? You need those numbers right now.

Let's set up your Envelope Budget System

First you will need to get a couple envelopes. You'll need an envelope for every spending category. When we started out we used simple plain white letter envelopes.

On each envelope I want you to write the budget category.

Examples of budget categories are Gas Money, Food, Miscellaneous Expenses, or Entertainment. You can create whatever categories you need.

Once you have your envelope categories all set up, you need the cash to put in them. Make a trip to the ATM and get the exact amount of cash you need to fill your envelopes, not a dollar more.

When we started with this system, we'd write the category title on the front and keep a log of how much money was in the envelope on the back. Every time we spent money we updated the total amount of money left in the envelope on the back.

We've since designed our own printable envelopes that have a space on the back to track your spending. It makes keeping track of your money spent simple and these envelopes come in a couple different colors for different categories. [You can learn more about them here.](#)

If you're looking for more envelope ideas, check out our [Cash Envelope System: Beginners Guide](#) post. There are a couple different ways to manage your cash for this budget system.

A word of caution, don't carry all your envelopes with you at once. We always make sure to plan our outings before we go out and only bring enough cash for what we are going to do.

There are two benefits to this, it [reduces the chance you will overspend](#) and also reduces the risk of you losing any cash. Accidents happen, trust me, it's happened to us once and we won't make that mistake again.

With your budget planned out and your envelope system set up, you're ready to take control of your finances! I am so excited to see you achieve your financial goals and live the life you have always wanted.

As you get more experience with your budget you will find new ways to save money.

You should be checking and adjusting your budget each month to save more and more money. Challenge yourself to find new ways to save money each month.

The last thing I will tell you is to stick with it. There are going to be months where you overspend in a category or heck, maybe your budget totally falls apart. Don't get discouraged, just stick with it and fix it the next month.

Always keep your goals in mind and keep pushing yourself to achieve them. Use them as motivation to stick to your budget!