



PURPOSE OF E-BOOK

The cornerstone of good credit is being able to budget your money well.

In this e-book you will find simple, effective strategies to manage your money and maintain great credit.

TABLE OF CONTENTS

1. Importance of Budgeting
2. First Step: Calculating Income
3. Expenses: What Are They?
4. Setting Goals
5. When to Use Credit
6. Review Your Budget Often
7. Budgeting Worksheet: Example & Template
8. Conclusion



1

IMPORTANCE OF BUDGETING

“ A budget is a plan to show how much money a person will earn and how much they will need or be able to spend
- Cambridge Dictionary ”



KEY TO SUCCESS

The most important element of budgeting is knowing what is coming in (income) and what is going out (expenses), then creating a budget that balances those.



BUDGETING METHODS

There are many different ways that you can write down your budget:

- Excel spreadsheet
- Free phone app
- Pen & paper

UNEXPECTED EMERGENCIES

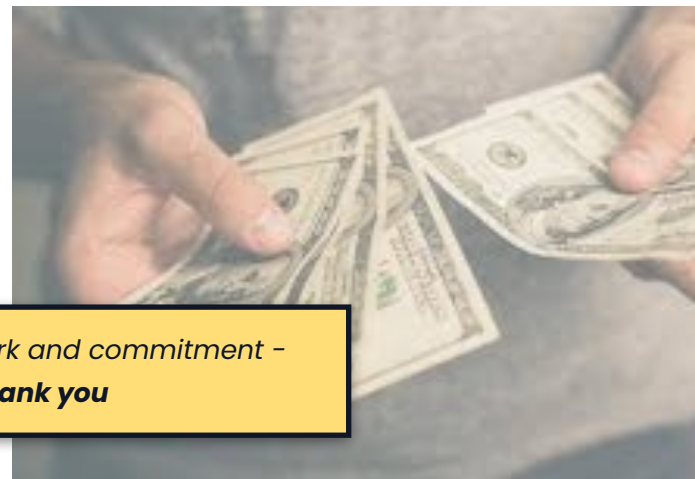
Life happens and sometimes expenses pop up that are outside of your budget. This is a great time to **leverage your credit**.

Make sure you have a plan in place to pay these expenses back once you are able.

All of these methods are effective so choose the method that works best for you



Following a budget does take some work and commitment - but **your future self will thank you**



2

FIRST STEP: CALCULATING INCOME

The first step in any budgeting process is figuring out your income



Income is money that is earned from doing work or received from investments

- Cambridge Dictionary



SOURCES OF INCOME

Employment income is the most common source of income however there are other income sources to be sure to consider:

- Government benefits
- Investments (capital gains)
- Support payments
- Rental properties
- Side hustles or profitable hobbies



The easiest way to create a budget is on a monthly cycle.

Most people get paid bi-weekly, bi-monthly or weekly however the simplest way to budget is to calculate your *monthly* income. This is because most bills or expenses are charged on a monthly cycle.

HOW TO CALCULATE YOUR MONTHLY INCOME

If you receive a... Weekly income	\$ _____ Weekly pay	X 52 Multiply by 52 payments per year	/ 12 Divide by 12 months	= \$ _____ Your monthly income
If you receive a... Biweekly Income (paid every 2 weeks)	\$ _____ Biweekly pay	X 26 Multiply by 26 payments per year	/ 12 Divide by 12 months	= \$ _____ Your monthly income

3

EXPENSES: WHAT ARE THEY?

The next critical step is writing down all of your expenses



WHAT IS AN EXPENSE?

An expense is anything you pay for - from **needs** like rent, food, clothing and transportation - to **wants** like Netflix, a gym membership or a fun night with friends.

Like we did with your income in Chapter 2, we need to calculate your expenses on a monthly cycle.

HOW TO CALCULATE YOUR MONTHLY EXPENSES

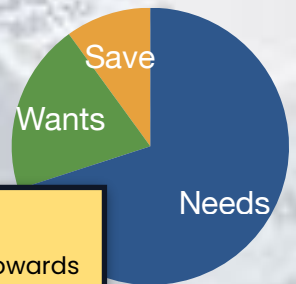
If you have a... Weekly expense	\$ _____ Expense amount	X 52 Multiply by 52 payments per year	/ 12 Divide by 12 months	= \$ _____ Your monthly expense
If you have a... Biweekly expense (every 2 weeks)	\$ _____ Expense amount	X 26 Multiply by 26 payments per year	/ 12 Divide by 12 months	= \$ _____ Your monthly expense

VARIABLE EXPENSES

If you have a variable expense where the \$ amount changes every payment, you will need to take the average amount for your budgeting purposes.

How to Calculate an Average Payment

ADD the last 3 expense payments together, then DIVIDE by 3.



The 70-20-10 Budgeting Rule

70% of your after-tax income goes towards your needs, 20% of your income goes towards your wants and the remaining 10% should be put into savings

4

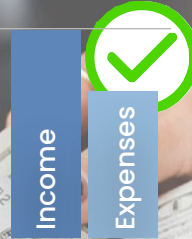
SETTING GOALS

Now that you have figured out your monthly income and monthly expenses, you can evaluate your financial situation and figure out your next steps



Is your...

Income MORE than Expenses?

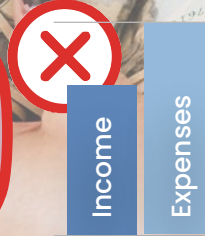


This is **great news!** This means that you have extra money each month to go towards your goals!



Is your...

Income LESS than Expenses?



If your expenses exceed your monthly income, your goal is to:

- 1) Increase your income; and/or
- 2) Cut back on your expenses

See Chapter 5 for more details

WHAT IS A GOAL?

A goal is a something you aim to accomplish.

Goals can be short term or long term. They can also be serious and significant like paying off a student loan or saving for a downpayment or retirement; or goals can be for fun things such as vacations or buying something you really want!

RAINY DAY FUND

This is a great place to start when it comes to a savings goal. Saving up 1 to 3 months of expenses can be critical in the event of an emergency or loss of income

5

WHEN TO USE CREDIT

! IMPORTANT

When budgeting, it is important to keep credit **out of** the equation.

Relying on credit to pay your basic expenses can create a large debt problem.

This will only make it harder to reach your financial goals.



That said, **credit can be an incredible resource** for unexpected expenses, emergencies or large purchases. Even with a rainy day fund, emergencies can quickly add up and require more money than you have at that time. It is important to always remember that whatever money you borrow using credit will eventually need to be paid back, so be sure to have a plan on how you will do that.



It is okay - and even good - to make purchases with a credit card.



WHEN IS A GOOD TIME TO USE CREDIT?

- For unexpected expenses such as car troubles or sudden house repairs
- For emergencies such as an unforeseen veterinary bill, a loss in the family, or a health issue
- Large purchases such as car loans, student loans, mortgages or personal lines of credit

As long as you are paying your credit card off regularly, this is a great way to **build credit** by creating strong payment history.

Loans for things like mortgages and car payments are absolutely okay - so long as the payments fit comfortably into your budget.

6

REVIEW YOUR BUDGET OFTEN

Bills and spending habits can change from time to time, so it is important to reassess your finances regularly



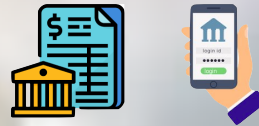
HOW OFTEN SHOULD YOU REVIEW YOUR BUDGET?

- We recommend reviewing your spending at least once a month.
- This ensures that you are checking that your spending habits and expenses align with the budget you set.
- This can also help catch any unusual charges or overages so you can deal with them right away.

HOW TO REVIEW YOUR BUDGET

STATIC EXPENSES

Using recent bank statements or your online banking, verify that all of your static/recurring payments are still the same as your original budget (ie: your car payment or mortgage is still the same amount). If anything has changed, make sure to update your budget worksheet or follow up on the discrepancy.



WHAT IS A STATIC / RECURRING PAYMENT?

This is any expense that is billed on a consistent frequency (ie: biweekly or monthly) *and* is the same \$ amount for each payment.

VARIABLE EXPENSES

For variable or changing expenses (see Chapter 3), review all of your purchases from the previous month and add up each category (ie: groceries or gas). Compare the totals with what you've budgeted. Were you over or under what your budgeted?



Once you've gone through your bank statements and evaluated your spending against your budget, you will be able to see if you are on track, if you need to make any adjustments with your spending or if you need to make any changes to your budget.

7

BUDGETING WORKSHEET - EXAMPLE

Budgeting Period (From when to when): August 1st - 30th

INCOME		Budget	Actual	Difference
	Employment	\$4000	\$4000	0
	Other			
	Total Income	\$4000	\$4000	0
EXPENSES		Budget	Actual	Difference
	Rent/Mortgage	\$1200	\$1200	0
	Car Payment	\$300	\$300	0
	Insurance	\$300	\$300	0
	Groceries	\$600	\$650	+ \$50
	Gas	\$75	\$70	- \$5
	Childcare	\$500	\$500	0
	Utilities	\$250	\$210	- \$40
	Miscellaneous	\$60	\$70	+ \$10
	Total Expenses	\$3285	\$3300	+ \$15

INCOME VS. EXPENSES

TOTAL INCOME *minus* TOTAL EXPENSES =

Whatever is left over after deducting **Expenses** from **Income** can be allocated to **Saving/Spending**

SAVE / SPEND		Budget	Actual	Difference
	"Fun" Money	\$300	\$400	+ \$100
	Rainy Day Fund	\$100	\$100	0
	Savings Goal	\$100	\$0	- \$100
	Retirement	\$200	\$200	0

Notes: Overspent a bit on groceries this month but utilities were also lower so that helped. I had to buy my niece a birthday gift so I went over my fun money budget - so I was not able to put anything toward my savings goal this month.

*Note: This is an example of how the budgeting worksheet can be filled out. Numbers and expenses are for illustrative purposes only.

BUDGETING WORKSHEET

Budgeting Period (From when to when):

		Budget	Actual	Difference
INCOME	Employment			
	Other			
	Total Income			
EXPENSES		Budget	Actual	Difference
		Total Expenses		
INCOME VS. EXPENSES				
TOTAL INCOME <i>minus</i> TOTAL EXPENSES = <input type="text"/>				
<i>Whatever is left over after deducting Expenses from Income can be allocated to Saving/Spending</i>				
SAVE / SPEND		Budget	Actual	Difference

Notes:

We hope that you found some valuable information and strategies in this budgeting e-book to help you manage your finances.

KEY TAKEAWAYS



• The **cornerstone of budgeting** is knowing your income and expenses



• Savings goals, whether small or big, can help **keep you focused** on your finances



• Using credit can be a **great resource**. Make sure you're using it responsibly.



• Review your budget often to ensure it is up to date and to **monitor your spending habits**.

For more great information about budgeting, credit and finances, visit our website



Today is your opportunity to build the tomorrow you want

- KEN POIROT

Sources:

- Cambridge Dictionary
- Equifax Canada
- Transunion
- Government of Canada