

Budgeting and Cutting Costs

Agenda

- Budgeting
- Cost-cutting tips
- Tracking expenses and income
- Getting organized and creating a system
- Making adjustments to reach your goals



Budgeting

- 75% of AA women 45+ say they struggle to make ends meet
- Good budgeting skills provide the cornerstone of a healthy financial life
- Having a Budget provides a clear view of how and what you actually spend



Spending Worksheet

First, write down your expenses. Column A: *fixed expenses*—monthly cost, if the payment varies, write in an average. Column B: *flexible expenses*—costs that can vary month to month, and that you have some control over.

Expense Category	Expense Item	Column A Fixed Expenses	Column B Flexible Expenses
<i>Samples</i>			
Entertainment	Restaurants		\$200
Home	Rent	\$600	
Home	Water/Sewer	\$ 50	
Housing	Rent/Mortgage/Taxes		
	Maintenance/Condo fee		
	Lawn/Garden		
	House Cleaning		
Utilities	Electric		
	Gas/Oil		
	Water/Sewer		
	Garbage		
	Phone		
	Internet Account		
Food	Groceries (average)		
	Restaurants		
	Snacks (coffee, etc.)		
	Entertaining (food/beverages, etc.)		
Transportation	Car payment/Lease		
	Gas		
	Car Insurance		
	Subway/Bus/Parking		
Medical	Health Insurance		
	Regular Prescriptions		
	Out-of-Pocket		
	Fitness Programs		
Appearance	Clothing Purchases		
	Dry Cleaning		
	Hair Care		
	Miscellaneous		
Other			
Childcare			

Expense Category	Expense Item	Column A Fixed Expenses	Column B Flexible Expenses
<i>Samples</i>			
Entertainment	Movies/Videos		
	Newspapers/Books		
	Cable TV		
	Sports (Golf, etc.)		
	Theatre, Concerts		
	Travel, etc.		
Savings	Retirement Contributions		
	Other Savings		
	Reserve Fund Contributions		
Creditors	Credit Cards		
	Other		
Other	Business expenses/ Alimony		
Total			

Now, write down what comes in every month. Make sure to enter after-tax income:


Income Source	Your Income	Your Spouse or Partner's Income	Total
Salary/Wages from employment			
Income from Self-Employment			
Rental Property Income			
Alimony			
Monthly Investment Income			
Social Security Retirement Benefit			
Social Security Widow/Survivor's Benefit			
Pension Benefit			
IRA Income (distribution)			
Veteran's Pension			
Annuity Income			
Inheritance/Trust			
Gifts			
Other			
Total			

Now, do the math. Add Column A and B from the first table, and subtract the total from the second table:
(Income - Expenses = Potential Savings to help reduce debt)

AARP Budget Calculator

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of where
your money
goes!

← → C www.aarp.org/money/budgeting-saving/home_budget_calculator/

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AARP Home » Money » Living on a Budget » Home Budget Calculator

Home Budget Calculator

Managing your monthly budget can be difficult and frustrating. One of the most important aspects of controlling your budget is to determine where your money is going. This calculator helps you do just that. By entering your income and monthly expenditures, you can see how much you have left to save and where your money is being spent. In addition, you can click the "View Report" button to compare your budget breakdown to our targets, which can help identify areas for improvement.

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PROGRAMS

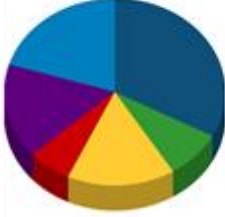
AARP Foundation Tax-Aide
You can get free, face-to-face tax assistance nationwide.

Money Matters Tip Sheets
Download and print out these PDFs to help with your financial matters.
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Home Budget Calculator

Monthly expenses: \$2,747.00
Net monthly pay: \$3,250.00
Misc income: \$200.00

Monthly expenses of \$2,747 leave you with \$703 available for savings.



Category	Amount	Percentage
Mortgage and debt	\$1,125	33%
Utilities	\$290	8%
Food and general expenses	\$550	16%
Insurance	\$220	6%
Home maintenance, medical, childcare, etc.	\$562	16%
Other	\$0	0%
Available for savings	\$703	20%

Show my income breakdown Show my monthly expenses

Definitions

Your income
Your total gross income from your paycheck.

Other income
Any other income that you receive including bonuses, alimony, child support or income from a business.

Federal tax withholding
Total amount withheld for federal taxes. Enter this amount from your pay stub.

State tax withholding
Total amount withheld for state taxes. Enter this amount from your pay stub.

Local tax withholding

Save & Grow Your Money

- Identify Needs vs. wants
- Place Routine bills on autopilot
- Avoid 'buyer's remorse'





Cost Cutting Savings

“A penny **saved** is a
penny **earned**.”

Cost Cutting

What are
your
strategies?

12 Cost Cutting Tips	Estimated Monthly Savings
Cut out one restaurant per week	\$40-\$100
Make coffee at home	\$20-\$50
Use coupons	\$20-\$40
Rent a DVD	\$10-\$20
Buy generic drugs	\$20-\$40
Downsize from premium to basic cable	\$10-\$40
Use public transportation or carpool	\$40-\$60
Keep tires inflated and engine tuned	\$5-\$10
Explore basic phone plans	\$20-\$30
Cut energy costs	\$25-\$100
Get free checking	\$5-\$10
Use only your bank's ATM	\$5-\$10
TOTAL SAVINGS	\$220-\$510

Retail Shopping

- Traditional coupons
- Promotion codes for online shopping
- Daily deal websites
- Trends go in and out
- Try discount or consignment stores
- Shop off season
- Ask for discounts at the counter



Home Energy Savings

- Plug wall openings
- Weatherize windows and doors
- Consider a programmable thermostat
- Participate in your local energy savings program
- Blanket your water heater
- Seal/wrap ductwork
- Dress the hearth



Grocery Savings

- Shop once a month
- Buy generic labels
- Buy bulk items
- Try farm stands for local produce
- Grow your own vegetables



Transportation

- Opt for public transportation where available
- Lower gas costs
- Share cars by carpooling
- If shopping, buy used or pre-owned



Phones – Landline vs Mobile

- Skip the fancy extras – especially those you don't use
- Investigate Internet and cable alternatives or bundling
- The landline question
- Check out family plan options
- Are you overpaying? Can you reduce your rate?
- Put off an upgrade
- Unplug your charger when it's not in use



Entertainment

- Check out options at community centers and local schools
- Discounts for AARP members
- Join a book club
- Check out free movies from the library
- Volunteer with an organization important
- Check out free museums
- Go for a bike ride
- Relax at the beach



Free Stuff

- Get useful software from download.com or openoffice.org
- Download audiobooks from librivox.org
- Check out samples from startsampling.com or freenology.com
- Celebrate your special day with birthday freebies
- Free land



Save for the Future - Retirement

Plan wisely!

- How much will you need to save? aarp.org/money
- Learn how Social Security will fit into your plans at ssa.gov
- Visit www.aarp.org/socialsecuritybenefits to calculate your benefits
- How can retirement accounts work for you?
- Plan on how to make your retirement money last as long as you'll need it
- The AARP Retirement Calculator www.aarp.org/retirementcalculator helps you to plan your financial future so you can retire when — and how — you want.

Set Your Financial Course



- Create a budget
- Control debt
- Maintain healthy credit
- Plan for retirement

Take Action



It's Your Financial Future

- Remember to pay yourself first
- Include retirement as a long term savings goal
- Use tax-advantaged retirement accounts like 401(k)s or IRAs
- Don't postpone saving until you've mastered investing

FOR MORE INFORMATION

www.aarp.org/financialfreedom