



Building a Better Budget

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Agenda

- Purpose of a Budget
- Building Your Budget
- Identifying and Addressing Budget Gaps
- Budgeting Tools and Tips
- Monitoring Your Plan and Key Action Items

“Beware of little
expenses;
a small leak will sink a
great ship.”

-Benjamin Franklin





Purpose of a Budget

Budget Benefits

A budget can:



Provide guidance and direction



Facilitate planning



Motivate and inspire action



Help evaluate progress

Building a Budget

A good budget will help you to compare your *income* to your *debts* and *expenses*.

 ***Income***

 ***Expenses***


 ***Debts***



Building Your Budget

Complete a Household Budgeting Worksheet



Household Budgeting Worksheet



Enter monthly expenses for the following items. Total each category and calculate monthly expenses.

Housing/Utility	
Rent/mortgage	\$ 1025
Heating	\$ 75
Electricity	\$ 75
Water/sewage	\$ 50
Renter/homeowner insurance	\$ 75
Trash service	\$ 25
Telephone and cell phone	\$ 75
Home maintenance	\$ 200
TOTAL	\$ 1600

Transportation	
Gas	\$ 100
Car payment(s)	\$ 250
Car insurance	\$ 80
Car maintenance	\$ 50
Car registration	\$ 20
Public transportation	\$ 50
Parking and tolls	\$ 50
TOTAL	\$ 600

Insurance	
Health	\$ 100
Life	\$ 25
Disability	\$ 25
TOTAL	\$ 150

Food	
Groceries	\$ 600
Work related (lunch/snacks)	\$ 100
TOTAL	\$ 700

Medical	
Doctor visits	\$ 50
Dental & Vision	\$ 50
Prescriptions	\$ 50
TOTAL	\$ 150

Childcare	
Daycare/babysitting	\$ 0
Child support/alimony	\$ 0
TOTAL	\$ 0

Education	
Tuition	\$ 0
Books/supplies	\$ 0
News & media subscriptions	\$ 0
TOTAL	\$ 0

Personal	
Barber/salon services	\$ 100
Toiletries/cosmetics	\$ 100
Children's allowances	\$ 0
Tobacco products	\$ 0
Beer/wine/liquor	\$ 100
Clothing	\$ 200
Laundry/dry cleaning	\$ 38
TOTAL	\$ 538

Entertainment	
Sporting events/concerts/etc.	\$ 50
Movies	\$ 25
Restaurant/take-out	\$ 150
Internet service	\$ 75
TV subscription	\$ 50
Gambling/lottery	\$ 0
Fitness/social clubs	\$ 50
Vacation/travel	\$ 200
Hobbies	\$ 100
TOTAL	\$ 700

Debts	
Student loan	\$ 50
Credit card	\$ 50
Medical bills	\$ 0
Personal loans	\$ 0
TOTAL	\$ 100

Savings	
Emergency fund	\$ 300
Down payment fund	\$ 0
TOTAL	\$ 300

Net Monthly Income	\$ 4,688.00
- Total Monthly Expenses	\$ 4,838.00
= Cash Flow (disposable/deficit)	\$ (150.00)

Compare
EXPENSES vs **INCOME**



Sources to Consider

Savings

- Pension
- Supplement savings account (457)
- 401(k)/401(a)
- IRA
- Stocks and Bonds
- Emergency fund

Income

- Current salary
- Income from rentals
- Side jobs



Sources to Consider, cont'd

Expenses

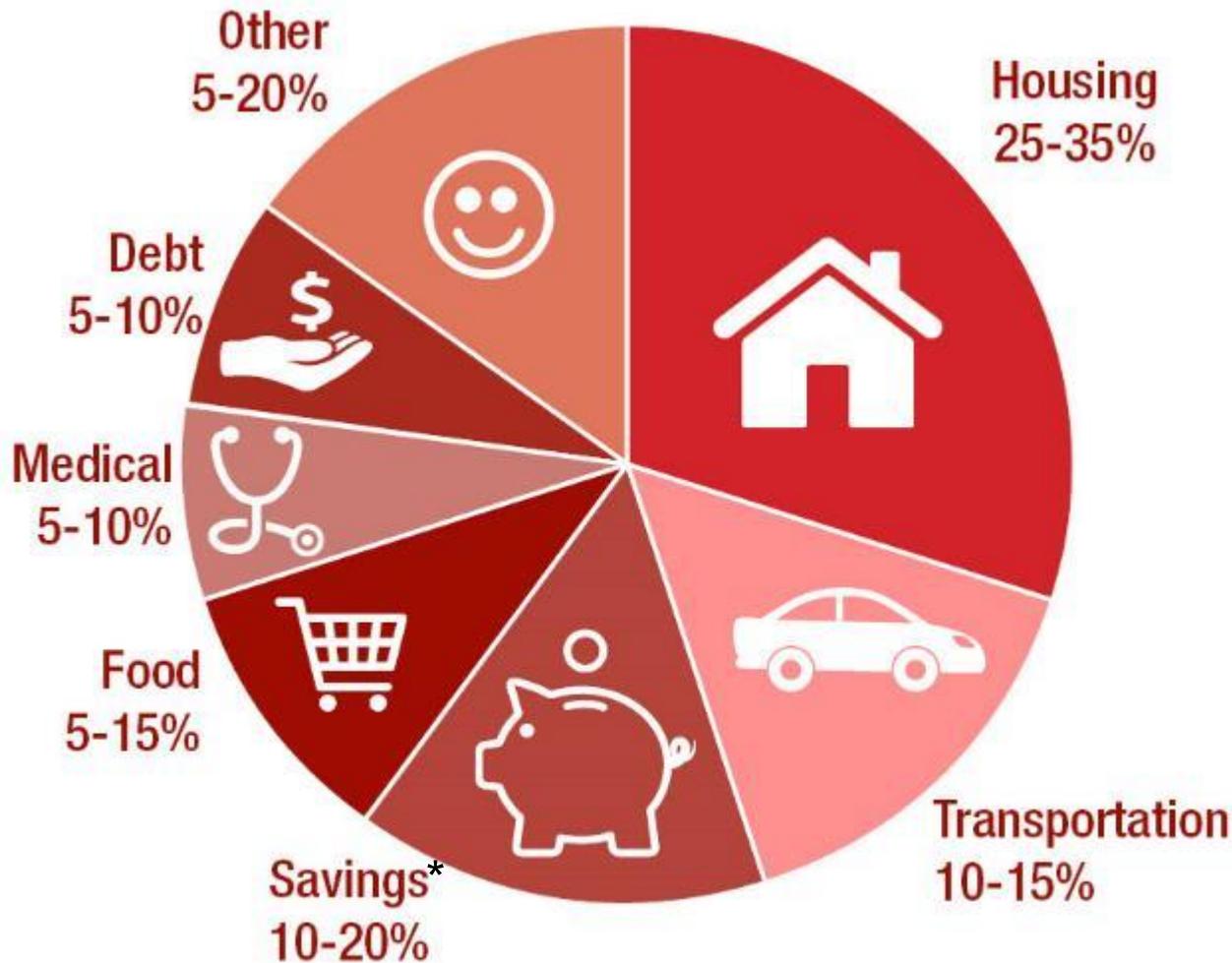
- Housing (mortgage)
- Transportation (gas, auto loans, insurance)
- Insurance/Healthcare
- Food
- Miscellaneous
 - Personal care
 - Clothing
 - Hobbies
 - Travel
- Debts
 - Student loans
 - Credit cards
 - Medical bills
 - Loans





Identify Your Gaps

Average Household Expense Ranges



* Includes emergency fund savings, retirement savings, etc.

Source: US Bureau of Labor Statistics Consumer Expenditure Survey

Example: Meet Sandy

- Sandy would like to establish a budget and set some spending goals for herself
- Sandy's net monthly income is \$4,688 (\$56,256 annually)
- She is single with no children



Determining Sandy's Gaps



Budgeted Expense	Sandy's Goal	Determining Target Amount (Sandy's monthly net income x goal)	Target Monthly Amount
Housing (25 – 35%)	35 %	\$4,688 x 35%	\$ 1,641
Transportation (10 – 15%)	10 %	\$4,688 x 10%	\$ 469
Savings (10 – 20%)	15 %	\$4,688 x 15%	\$ 703
Food (5 – 15%)	10 %	\$4,688 x 10%	\$ 469
Medical (5 – 10%)	5 %	\$4,688 x 5%	\$ 234
Debt Payments (5 – 10%)	5 %	\$4,688 x 5%	\$ 234
All Other (5 -20%)	20 %	\$4,688 x 20%	\$ 938

Determining Sandy's Gaps, cont'd



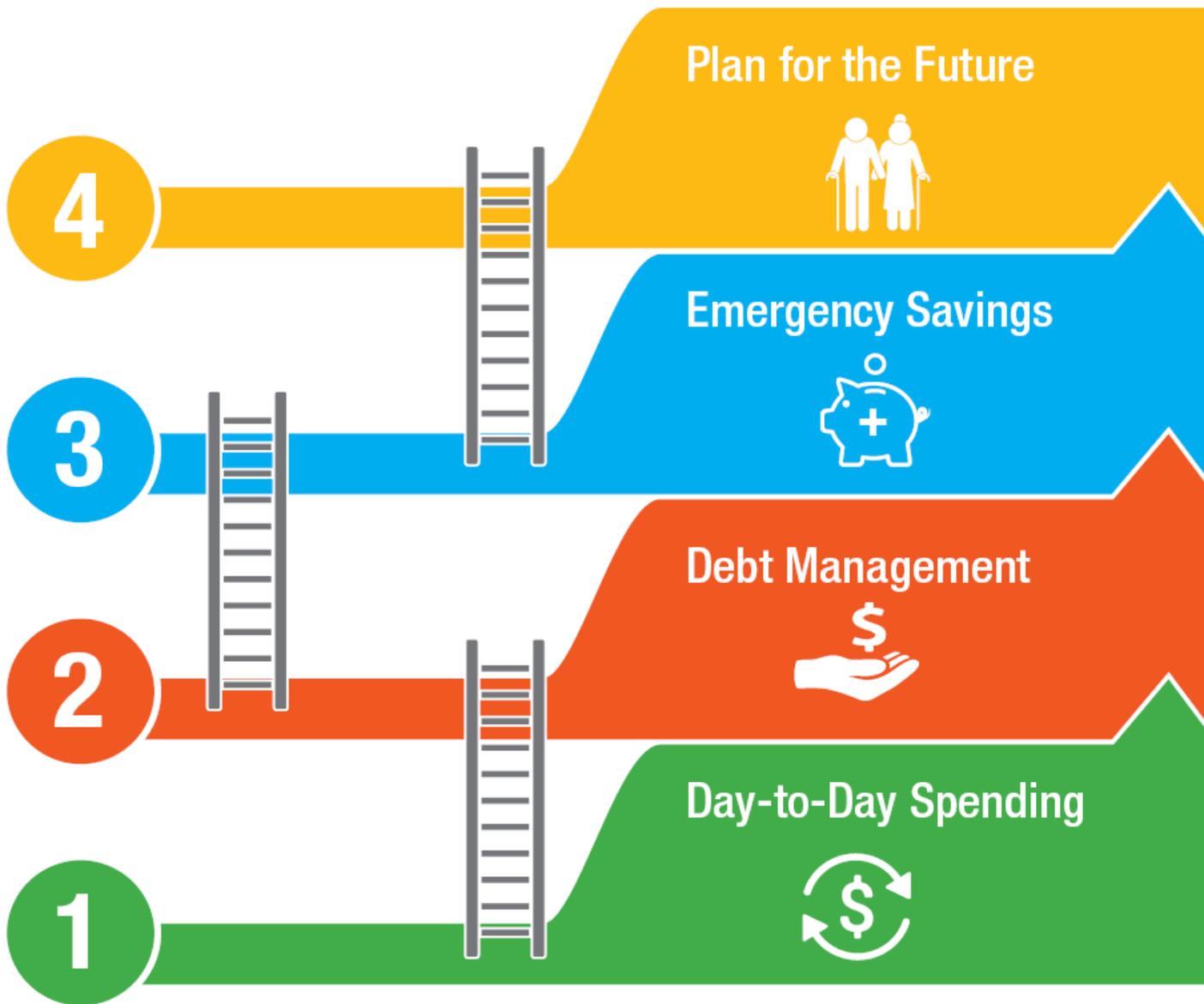
Budgeted Expense	Sandy's Goals	Target Monthly Amount (Sandy's monthly net income x goal)	Actual Monthly Amount Spent	Area of Concern?
Housing (25 – 35%)	35%	\$1,641	\$1,600	
Transportation (10 – 15%)	10%	\$469	\$400	
Savings (10 – 20%)	15%	\$703	\$300	Yes
Food (5 – 15%)	10%	\$469	\$700	Yes
Medical (5 – 10%)	5%	\$234	\$150	
Debt Payments (5 – 10%)	5%	\$234	\$100	
All Other (5 -20%)	20%	\$938	\$1,238	Yes

Analysis

Based on this analysis, Sandy should take the following steps to adjust her monthly budget:

1. Reduce her food and miscellaneous monthly expenses
2. Consider increasing the amount for savings







Budgeting Tools and Tips

Manage Your Day-to-Day Spending

- To spend “within your means” is to spend less than or equal to the amount of money you bring in
- The first step is to know your income and expenses. You can do this by creating a budget
- **Budgeting** is a tool that tells your money where to go ahead of time versus wondering where it all went after you spent it



Budgeting Tools

- **Online tools through your bank**
- **Microsoft Office templates**
- **Organizations such as:**
 - National Credit Union Administration (mycreditunion.gov)
 - Visa (practicalmoneyskills.com)
- **Apps**
 - Mint
 - You Need a Budget (1 month free trial subscription)
 - Wally
- **New MERS Online Tool – Coming Soon!**
 - Will offers customizable budgeting, savings and other interactive financial planning tools
 - Watch for more information coming soon

Ideas to Reduce Expenses

Household

- Shop around for a better rate on things like homeowners insurance and propane
- Consider refinancing your mortgage
- Improve water and energy efficiency



Ideas to Reduce Expenses, cont'd



Transportation

- Consider carpooling or public transportation
- Shop around for a better rate on auto insurance
- Keep up on routine maintenance to avoid unnecessary auto repairs
- Consider a longer replacement time between vehicles to avoid car payments

Ideas to Reduce Expenses, cont'd



Other Discretionary Expenses

- Cancel memberships that you don't use regularly such as gym and club grocery stores
- Shop around for a better deal on television, or reduce your current package
- Shop thrift stores for clothing and home goods
- Make your own coffee and bring your lunch to work – doing so can save you hundreds each year!



Monitoring Your Plan & Key Action Items

Monitor Regularly

- Determine how often you will revisit your goals to make sure you are still on track – at least **twice a year** is recommended.
- **Make adjustments** as needed
- **Enjoy the benefits** of achieving your goals



Key Action Items



- If you haven't already done so, create and log in to your **myMERS account**
- Complete the budgeting section of your **Financial Planning Workbook**
- **Identify your gaps** and strategies to address them
- Take advantage of **additional savings opportunities** such as a 457 program or IRA
- Visit **www.mersofmich.com** for additional retirement tools and resources
- Follow “MERS of Michigan” on **Facebook** for news and financial tips

Contacting MERS of Michigan

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