



VSECU

# YOUR GUIDE TO **SAVING AND BUDGETING**



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Do you want to start saving regularly so you can stay on top of your monthly expenses? This eBook will address some of the barriers to saving and offer simple guidance to help you start putting money away so you can stop living paycheck to paycheck and start accumulating wealth.

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# DO YOU MAKE ENOUGH MONEY TO SAVE?

For some people, there simply isn't enough money to cover expenses AND save. For many people, however, there is enough money, but they aren't using it as effectively as they could. It's not always easy to determine which category you fall into because you may not realize how your habits are affecting your ability to save.

The tips in this eBook will help you determine how much money you have, how much you spend, where you spend it, how your behavior and your debt could be preventing you from saving, and how you can make some small shifts that allow you to save more.

Let's begin with a quick look at your finances.



# WHAT DOES YOUR CASH FLOW LOOK LIKE?

Money is a slippery little thing. Calculating your income and expenses and creating a budget can help you grab hold of your finances and take control.

## CALCULATE YOUR INCOME AND EXPENSES

Don't worry. It won't be too painful and [this Monthly Budget Calculator](#) will make it even easier.

**First:** Start by writing down your monthly take-home income (include income from all jobs and other sources).

**Second:** Subtract all monthly bills and other necessary financial obligations, like food and clothing. Also include some reasonable recreation costs (you're not expected to sit at home every night).

**Third:** When you're done, subtract your total expenses from your total income.

The total is the amount you can afford to save.

### Calculation Tips:

If you're not sure how much you spend on irregular expenses like food, review your bank statements for the past 30 days and add up all of your food expenses. Use this figure as your monthly food expense. If you pay for food with cash and have not kept your receipts, start collecting receipts to help track what you're truly spending on food. For an accurate picture of how much you spend, collect receipts for full a month.

*NOTE: for expenses that are not paid monthly (like annual subscriptions), determine approximately how much you pay per year and divide by 12 to get a rough monthly amount.*

### Example: Monthly Budget Calculations

<b>INCOME</b>	
Main job	\$2,500
Side job	\$450
<b>TOTAL INCOME</b>	<b>\$2,950</b>
<b>EXPENSES</b>	
Phone	\$79
Electric	\$80
Internet	\$80
Car	\$150
Gas	\$220
Mortgage	\$900
Groceries	\$450
Fun	\$100
Incidentals	\$200
Homeowner's Insurance	\$90
Auto Insurance	\$100
Credit Card	\$100
<b>TOTAL EXPENSES</b>	<b>\$2,549</b>
<b>TOTAL FOR SAVINGS</b> (income minus expenses)	<b>\$401</b>

*NOTE: You may have to tweak this table a couple of times. It's common to forget a few expenses on the first try. The next test will help you fine-tune your list.*

**USE OUR CUSTOM CALCULATOR**  
to create your budget

## FIND OUT WHERE YOUR MONEY IS GOING

If you've included everything you can think of in your income and expense worksheet but don't have extra money to save by the end of the month, you may need to find ways to reduce your spending. This weekly spend test will help you do that.

### Weekly Spend Test

As the name suggests, this is a test that you perform for one week. It's easy, but you have to be thorough. Write down everything you buy and how much you spent on each item for one week. When you're done, review the list and note which purchases were necessary and which were not. To the right is an example of how it might look.

As you can see, unnecessary purchases can add up quickly. Extend your test research out by a couple of weeks to a month and you may find that you're spending an extra \$200 to \$400 or more on unnecessary purchases. Multiply that wasted money over the course of a year and you may be surprised how much money you're spending on nonessentials.

**USE OUR CUSTOM TEMPLATE**  
to determine your weekly spend

NOTE: The weekly spend test requires complete honesty and thought. Yes, you may need a coffee and bagel, but do you need it from the expensive shop? Or can you make them at home, reducing costs by about \$5.00? Was that movie necessary or could you have made a less expensive choice? This can be tricky because sometimes, you just need to watch a movie! So maybe it was necessary this time but next time, you'll opt to go for a walk and invite some friends over for game night. You decide what's necessary and what's not.

### Example: Weekly Spend Test

EXPENSE	AMOUNT	NECESSARY?
<b>Monday</b>		
Coffee and bagel	\$5.50	No - \$5.50
Snack from vending	\$1.50	No - \$1.50
Gas	\$25.00	Yes
Groceries	\$125.00	Yes
<b>Tuesday</b>		
Snack from vending	\$3.50	No - \$3.50
Dog food	\$25.50	Yes
Dinner at Mason's	\$45.45	No - \$45.45
<b>Wednesday</b>		
Coffee and bagel	\$5.50	No - \$5.50
Snack from vending	\$3.00	No - \$3.00
Gift for Gabriel's birthday	\$35.90	Yes
Shower curtain	\$10.25	Yes
Bottled water	\$2.50	No - \$2.50
<b>Thursday</b>		
Coffee and bagel	\$5.50	No - \$5.50
Snack from vending	\$1.50	No - \$1.50
<b>Friday</b>		
Snack from vending	\$3.00	No - \$3.00
Book	\$15.00	Yes
<b>Saturday</b>		
Movie tickets	\$18.00	Yes
<b>Sunday</b>		
Sunglasses	\$23.00	Yes
Snacks at beach	\$15.00	No - \$15.00
<b>TOTAL UNNECESSARY EXPENSES</b>		<b>\$91.95</b>

# DO YOU NEED TO CHANGE YOUR BEHAVIOR?

If you've struggled to save in the past, you may need to change your behavior in order to save. The good news is that you can make these changes as slowly or quickly as you want, depending on how badly you want to save. It's completely up to you.

If you are NOT overspending and simply don't have the funds to save, [skip to the next page](#).



## MAKING ENOUGH? HERE'S THE SIMPLE TRUTH.

If you are overspending, the obvious next step is simply to stop overspending. Yeah, I know. Those small things you spend money on during the day may feel good and simplify your commute or prep time in the morning, but would you rather have a bunch of coffee or a new car?

The beautiful thing about habits is that you can create new ones at any time. So, create some new habits. Instead of leaving extra time to stop for coffee, take an extra moment to make it at home. Instead of hitting up the vending machine for a snack during the day, bring a snack from home. Bring what you need so you don't have to pay extra for it during the day.

NOTE: It's easy to feel like you have no options and that there is no hope. Positive thinking is important for achieving any goal, so remember to stay positive and look for possibilities instead of roadblocks. If you're not making enough or things are going poorly, find ways to earn more. Keep learning, taking opportunities that come your way, and improving your skills. You have control over how hard you work, how good a job you do, and how skilled you are. Focus on what you can control and stay positive and the other pieces will come together.



## NOT MAKING ENOUGH?

If you're not making enough to save, don't give up. You have options. Here are a few:

**Get another part-time job:** This is not the ideal option if you already have a full-time job, but it may be a way to earn some extra income while you work toward a promotion and/or raise.

**Ask for a raise/more responsibility:** Have you been putting in the extra effort at work? If not, start now. And if so, ask for more money. This may feel uncomfortable, but it's worth having the conversation. If you feel like you're valued at the company, tell your boss that you're struggling to live on what you're making and ask for an amount that would make you more comfortable. If your boss appreciates you, he or she will probably try to give you what you need or tell you how you can earn better pay.

**Improve your skill set:** Improving your skills can make you more valuable. You can gain new skills in a variety of ways. If your company offers educational opportunities, take them. Check out online courses. There are a lot of free ones that may help get you to the next level, depending on what you do and where you want to get. (Check out [edX](#) and [Coursera](#).)

**Get a new job:** If you can't get what you need out of your current job, you may need to get a new one. Start looking around for organizations that pay a better wage or where there are greater opportunities for career advancement.

# NOW...WHAT ABOUT DEBT?

Debt limits your ability to save, but it is easier to reduce than many people think. So, how do you tackle debt?

The first step in debt reduction is assessing the damage. The second step is making a plan. After that, you just need to follow the plan. Here are some tactics to help you take the first two steps:

## 1. ASSESS THE DAMAGE:

Assessing the damage your debt is having on your budget is simple but may take time. Start by adding up all your debt. What do you owe on the house, education, your car, your credit cards and store cards, healthcare payments, etc.? Make a list that includes the name of the account, the amount you owe, the interest rate, and the minimum monthly payment. It may look something like this:

### Example: Debt Chart

DEBT TITLE	AMOUNT	INT. RATE	MIN. PAYMENT
Chase Credit Card	\$1,567	17.5%	\$25
Mortgage	\$120,000	4.5%	\$850
Car	\$15,000	3.75%	\$250
Medical bills	\$500	0%	\$50
Loan from brother	\$50	0%	\$50
<b>TOTAL</b>			<b>\$1,250</b>

Notice that debts with the highest interest rates are at the top.

When you think about your debt, it helps to understand the difference between the types of debt you hold because some types of debt charge higher interest than others.

**Revolving debt:** Credit card debt is a prime example of revolving debt. With revolving debt, you have a certain amount of money that you can borrow, and you pay off the balance, or a portion of the balance, monthly. This debt is not secured by an asset (like a car or a house), so it can carry a HIGH interest rate. It's expensive debt and too much of it can harm your credit score.

**Unsecured debt:** As with revolving debt, unsecured debt often carries a higher interest rate than secured debt that you may have on your car or home, though it will likely have a lower rate than revolving debt. It depends on what the loan is for, though. For example, you may get a lower rate on unsecured debt for energy efficiency purchases, whereas the rate is higher on a personal loan for a vacation.

**Secured debt:** This type of debt is secured by an asset (like a car or a house) and usually offers a lower interest rate. The better your credit score is, the better the interest rate on this debt will be. In general, the amount on this debt only goes down. You can't keep borrowing without refinancing the asset.

**USE OUR CUSTOM TEMPLATE**  
to calculate your debt



## 2. MAKE A DEBT PAYOFF PLAN

When it comes to paying off debt, there are a number of plans you could follow. Here is one that works well for eliminating debt fast.

**First:** Pay off smaller, more personal debt (like the \$50 loan from your brother or the small medical bill). Paying off these smaller bills will be quick wins that give you a sense of accomplishment.

**Second:** Consolidate what you can. If you have multiple loans, consolidate them, along with any other debt that your lender will allow you to include in the consolidation. This could reduce your monthly payment amount and having fewer payments will simplify your life.

**Third:** Add up the minimum payment amounts to find the total you must pay each month.

**Fourth:** Determine how much extra you can put toward debt payments each month. In other words, can you pay an amount that is above and beyond the amount you came up with in the previous step?

**Fifth:** Put the extra money toward your highest-interest debt because it will eliminate your most expensive debt faster.

A note on revolving (credit card) debt: As you pay down your debt, make a promise to yourself not to increase it. Challenge yourself to use debit only, so that you are using only the money you have. I can't promise that it will be easy, but that's not the goal. The goal is to get a handle on your finances.

# SO, WHEN DO I START SAVING?

Should you start saving before you pay off your debt?

Yes. Absolutely. If you don't start saving before you pay off your debt, you may never start saving.

Saving can feel difficult if you have to think about it every time you deposit your paycheck. Make it easier by deciding exactly how much you can and will save (refer to your budget). Then make it even easier on yourself by setting up a system for saving.

## TIPS TO HELP YOU SAVE MORE

- Decide how much you want to save and what you want to save for and write it down. Your savings notes may look like this (note that I am using the budgeted savings amount from [page 4](#)):

### Example: Savings Chart

PURPOSE	MONTHLY SAVINGS AMOUNT
Emergency fund	\$200
Vacation	\$100
Christmas fund	\$101
<b>TOTAL BUDGETED SAVINGS</b>	<b>\$401</b>

*Emergency savings: One of your savings goals should be an emergency fund. Emergencies happen when you don't expect them. That is the nature of emergencies and if you don't have money set aside, one expensive emergency can destroy your budget by forcing you to use high-interest revolving debt (credit cards) to cover costs. Protect yourself*

*from the unexpected by keeping an emergency fund. The rule of thumb is to save three months of pay. So if you take home \$2,000 per month, keep \$6,000 in a savings account in case of emergency.*

- Automate your savings. Your employer may be able to direct-deposit funds into your accounts. When they do, they can probably split up your paycheck so that a certain amount goes directly to your various savings accounts and the rest goes to your checking account. Your financial institution can also help you automate your savings deposits.
- If you prefer to make your own savings deposits, get in the habit of depositing your check to multiple accounts. Determine how much you need to live on per pay period and place that in your checking account. Deposit the amounts you are saving to your savings account(s).. If the money never makes it into your checking account, you will be less likely to use it.
- Know your resources. There are countless tools available to help you create a savings goal and accomplish it. Research budgeting apps to use on your phone to help you stay on track and seek guidance from trusted professionals, such as a financial advisor, credit counselor, or credit union/bank representative.
- Don't stop saving. Now that you've started saving, you need to stay strong. This is truly the hardest part. The good news is that it is like any habit. Once you establish it, it can become a skill that helps you throughout life.

# RESOURCES

Download our custom worksheets to [create a budget](#), [calculate daily and weekly expenses](#), and [manage your debt](#).

Check out these helpful resources for additional guidance in creating a budget and meeting your savings goals:

[GreenPath Financial Wellness](#) offers information and many free and low-cost services to help you on your path to greater financial health.

[Capstone Community Action](#) provides a variety of tools and resources to help people achieve financial stability. Check out their Savings & Credit Programs for coaching, workshops, and more.

[360 Degrees of Financial Literacy](#) provides free personal finance resources to help you budget, set goals, and spend wisely.

[Mymoney.gov](#) is another great resource for those seeking advice to help them earn more, understand the borrowing process, save and invest, spend within your budget, and protect your finances.





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