

Setting Up Your Budget Trackers



Figure 1

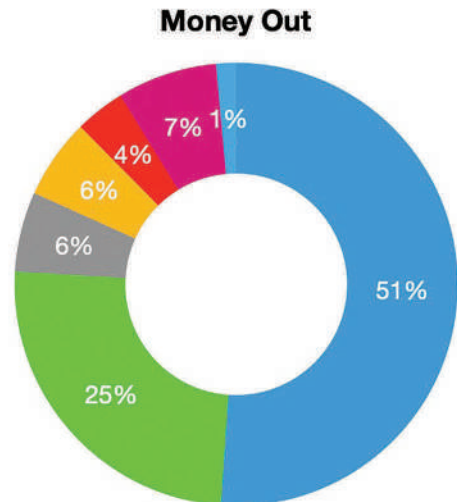
Simple Monthly Bermuda Budget Worksheet

Family of 3

Money In	
Wage -1	5,000
Wage -2	3,000
Additional income	0
Total income	US\$8,000

Money Out	
Housing (Rent or mortgage)	3,500
Groceries	1,700
Transportation	400
Utilities	400
Communication	250
Medical	500
Entertainment	100
Daycare	?
Property / auto insurance, annual cost /12	?
Land/property tax, annual cost /12	?
Education	?
Total expenses	US\$6,850

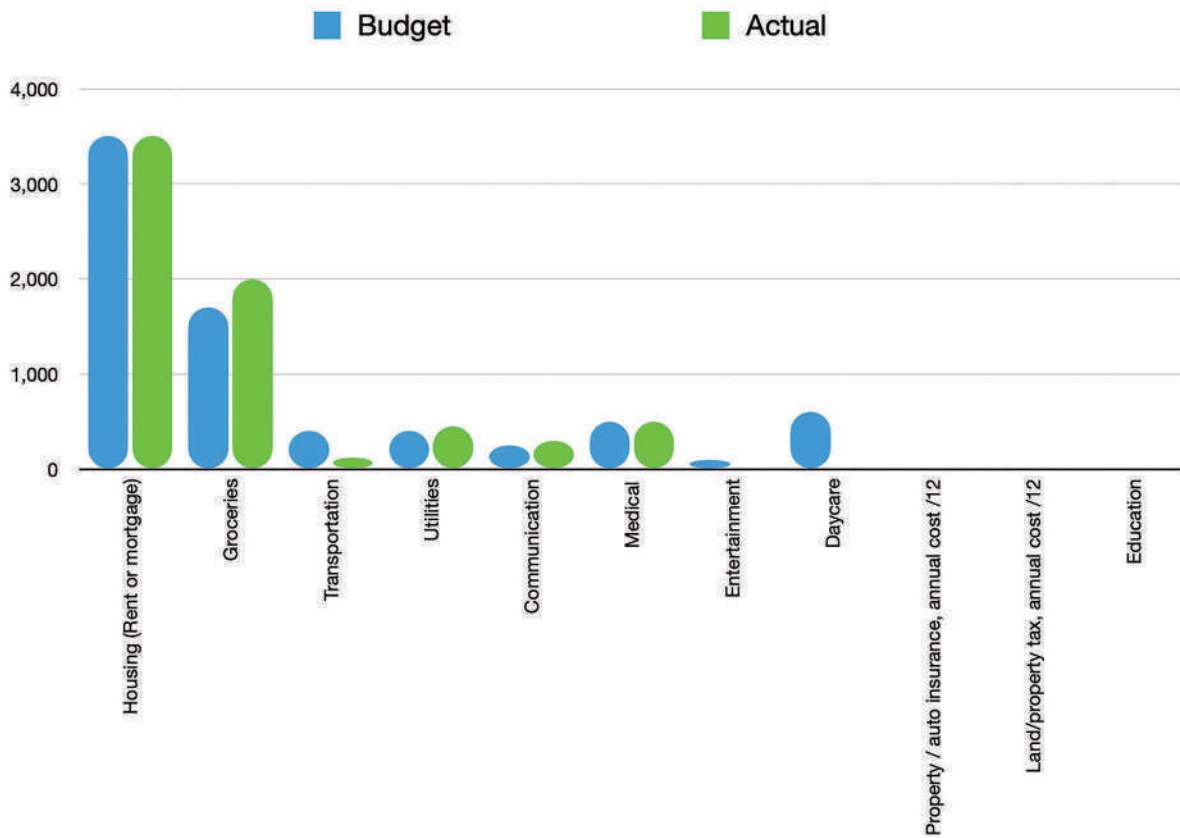
Money Left Over	
Income minus expenses	US\$1,150



- Housing (Rent or mortgage)
- Groceries
- Transportation
- Utilities
- Communication
- Medical
- Entertainment
- Daycare
- Property / auto insurance, annual cost /12
- Land/property tax, annual cost /12
- Education

Figure 2

Budget versus Actual Monthly Expenses



Summary by Category

Category	Budget	Actual	Difference
Housing (Rent or mortgage)	3,500	3,500	0
Groceries	1,700	2,000	(300)
Transportation	400	120	280
Utilities	400	450	(50)
Communication	250	300	(50)
Medical	500	500	0
Entertainment	100	0	100
Daycare	600	0	600
Property / auto insurance, annual cost /12	?	0	⚠
Land/property tax, annual cost /12	?	0	⚠
Education	?	0	⚠
Total	US\$7,450	US\$6,870	US\$580

Step Six - Setting Up Your Budget Tracker

Review Your Finances,

Set up Your Basic Budget Tracker

There are two simple steps to the method of managing your household costs and your budget:

- Monthly (or quarterly) Track Actual income & expenses, the monetary things that happen in real life.
- Then, define your budget - you determine what you would like to receive in income and what you want to control in allocating your spending each month. Many of these are fixed costs: rent/mortgage, utilities, transportation, school fees. You have to pay them. However, you are planning ahead as well for those once-a-year cash hits, vehicle registration, vacation, land tax, house or tenant insurance, education, etc.

It is very seldom that these two - actual and budgeted are the same. Close to - is good enough!

See the two charts ABOVE again.

In Fig. 1, We assume that you have completed the simple tracking income / expense chart for Actual inflows and outflows of cash for the first month.

In Fig. 2, you can see the sample two column worksheet:

- Budgeted amount - enter the budgeted amounts, those costs that you have defined as how much you would like to spend. Note the section to show annual costs of car,

house insurance etc. divided by 12 - even though you haven't spent the money, the budget needs to show that the expense will be covered.

- You are encouraged to set those projected amounts aside in your emergency savings fund.

Truthfully, many people find the two-column budget-to-actuals just too hard to keep up with. They prefer to simply track income and expenses monthly, hopefully making sure that there is always a surplus of positive cash at month end, however small.

There is one serious problem with simply tracking income and outflow. We all know what that is - the unexpected, unplanned for annual/semi-annual expenses to license the car, property insurance, special condo assessment, co-pays for dental braces, medications, an accident, and so on.

These unplanned for items can throw a simple monthly cost plan into disarray.

My suggestion always is to set up a budget, and an actual by itself, as a reminder of those annual expenses, then use the single tracking method of Figure 1 for your real income / expenses each month.

Starting Your Plan by Reviewing Your Finances!

Try not to feel overwhelmed initially, just start!

Your monthly bank statement - or online transaction activity is a good place to begin.

Yes, it is time-consuming. It may take you a day, a couple, a week, or a month to go through at least one-three months of bank transaction activity. Additionally, if you are at the start of a New Year, then it is a good time, a traditional time for review because you will be receiving all of the year-end reports that show cumulative activity: your cash and credit card accounts, investment and pension accounts, insurance if you have variable life, or cash value build-up, your expenses and the recognition that what " I spent that amount on that?

What was I thinking!

It is true that the number of people who find this exercise tedious, boring and over-whelming are many, measurable by their complaining, procrastinating, just finding any excuse to put the chore off.

Uh, you don't want to do this, I know you don't, however, as your Moms used to say, "**It's good for you!**"

There are three reasons (rules) to review your finances once a month, or quarter, or more, if needed:

1. No one, but no one, can manage your money the way you can.
2. If you don't manage your financial affairs, you haven't a clue where you've been, where you are, or where you are going.
3. Neglect your finance review, when something goes badly wrong because your identity was scammed, you were overcharged, you will never know — until it is too late.

Will you only have yourself to blame? FORGET BLAME, just resolve to do better!

Figure 1 Tracking Your Income - Expense Numbers

Start with the Illustrative Bermuda Simple Monthly Income-Expense Tracker Worksheet at Fig.1 above, or you can try other budget math tools that I've researched for you.

Electronic and manual tracking spread-sheets - See links in reference section.

The Do-It-Yourselfers can use a generic electronic spreadsheet. There are countless downloadable templates that you can tailor for your personal use. Free spreadsheet software is available from open sources: Apache Open Office, LibreOffice, Excel, Mac Numbers, Google, and many others. Search for the free ones and experiment in learning.

- Use a commercially set up budget planner (also free) such as Open Office or Vertex42 - easy to find in Google search, just search free budget planners.

- Use Our Simple Budget Worksheet featured in the accompanying chart – tailored for the Bermuda environment. Fig.1 above and in Resources End of STEP.
- Manual Tracking the old-fashioned way is sometimes just as easy, by hand, using legal or two column 8/11 inch lined paper and copying the format of Fig.1 or 2. Use one page for each monthly set of income/expense categories. You don't even need electricity!
- Add the totals up manually each month on a calendar type planning book then enter on your Master Income/expense sheet for the month. You can also create one for the for the year.

FIG. 1 INPUT Your Net Cash Inflow in the Money In Section

Enter your monthly gross income before any bottom-line adjustments. This is so that you can see your real net pay - the amount that is left after your payroll deductions for payroll tax, health insurance, life insurance, 5% pension match, old age contributory pension, etc.

Then, before you enter any other income (or expense) received jump down to enter the deductions (expenses) listed on your paycheque. Notice how the numbers are negative red - denoting subtraction from your gross paycheque. The net amount left should be the net paycheque listed on your bank statement.

It is important to enter the amounts this way because your bank statement does not show your health care deduction, pension, etc. yet they reduce your pay - as you well know. Plus, it gives you the real picture of all your expense outflows.

Then, Still on Money In, add any cash income from part time jobs, interest or dividends, rental unit(s), pension annuity payments (if retired), and so on, all listed on your bank statements. Don't forget to include other cash payments you may earn on side hustles - that are not accounted for on your statement.

Remember you want your complete financial picture for the month. You can't plan for anything, if you don't know what your resources (cash and assets) are!

Don't list things like inheritances, lump sum payments, or even bonuses - they are not a monthly cycle item. In fact, they are "surprise" gifts. They require different spending / saving decisions.

FIG. 1 TRACK Your Cash Out-flow in the Money Out Section

Categorise your spending habits using the MONEY OUT column in Figure 1.

This is the toughest, most annoying section of this exercise. How on earth are you going track all the little items? Heck, you sure know what your mortgage or rent payment is - to the penny while groceries, electricity, cable/phone/Internet, transportation (gas for bike/car) are fairly predictable.

The rest of that spending - especially the ATM withdrawals will be challenging – since the informal rule on spending is this: The smaller the cost of the items, and the larger the number of cash withdrawals, the harder it becomes to remember just exactly what it was that you did buy. Especially on those days when you're harried and everything in your life seems out of sync.

The Just Don't Know Where the Money Went!

Take the attitude of no moral philosophising, such as were these expenses necessary or just regretful splurge items? Simply designate all those items in the Just Don't Know category.

This is the hardest category because most of it is cash slippage; that is, it just slips through your fingers every day.

You must get control
of the Just Don't Know
cash spent.

You may be appalled at just how much cash has slipped away. If you don't ferret out those unidentifiable expenses every month, you will lose control of your budget very quickly.

Credit card payments. Yes, it sounds like duplicating costs. However, if you bought that "stuff" months ago, you still have to pay it back. Your goal is to have zero balance credit card each month.

Other expenses – the catchall list. Some people like to set aside money for holidays, birthdays, vacations, etc. However, in Figure 1, we are tracking Actual cash spent, not items that will be paid for in the future.

Figure 2 will demonstrate how to plug and plan for those future annual (or semi-annual) costs by theoretically setting aside the Budgeted number amount each month.

You get the point.

Now, you have input all Money In and Money Out for the month. Where are you with the actual income/expense tracker? Anything left over?

Can you consider starting a Small Stuff Savings account? Review STEP FIVE again.

Figure 2 - Set up the Budget Estimates using what you actually spent for the month - but only as a guide.

Note that all numbers used in the budget chart Figure. 2 are the author's GUESSTIMATES. Only you know what your realistic numbers are.

EXAMPLE: I've used a family of three, with gross combined earnings of \$120 thousand a year – for two employed parents and a small child. Just about anywhere in the world, these salaries would be considered super fabulistic, but our island is a different expensive challenge - as we all know.

Two parents earning \$60,000, annually, their combined gross salary is \$10,000 per month but take a look at the deductions to arrive at their net pay. Hardly anything left at month end to save!

Your budget is trying to set limit guidelines on various items to help you control random spending. So, for instance, you would specify just how much you are willing to budget - for those Just Don't Know Items so that you can plan to avoid hurtling over that number again.

First, list the necessities. The bills you must always pay first and the monthly estimated amount:

- rent/mortgage, these don't vary that much - if at all.
- food, decide on your budget limit - see if you can stick to it
- utilities, use a good estimate - not too low, not too high by reviewing your prior bills, easily accessible online
- transportation, car, bus, ferry, bike
- phone/cable /internet, same thing - set a limit - track your prior usage and arrive at a happy medium cost for the whole family
- personal health care, this category can be a fixed cost - or variable if you elect to DIY, say nails, hair etc.
- day care, the cost is the cost, not much flexibility
- entertainment, other activities
- clothing / shoe purchases. How many outfits do you really need?

Next, the out-of-the-blue surprise bills that you completely forget about because they happen once a year. Divide those costs by twelve (or by six if semi-annual or 4 - if quarterly) - as you only pay these intermittently, but you need to allocate money for them each month. Remember how we mentioned avoiding those awful, big ticket surprises?

- car/bike insurance,
- car/bike/boat registration,
- land tax,
- life insurance,
- house insurance, etc.
- others?

Then, list credit payments, if more than one card, catchalls, and the just don't know expenses like ATM withdrawals, expenses paid in cash, etc.

- Credit card payments
- Catchall: birthdays, holidays, vacations
- Just Don't Know expense items, ATMs etc.

Now the reckoning, comparing actual costs to budget estimates

Expenses - remember the first column is your budget expenses, these are the estimated costs you want to control not what you are spending on each item currently. The budget and actual expenses may be different to start with.

See Fig.2 chart!

Do you have any cash left over? Is your month ending number - positive or negative?

Yes, surplus to put aside for your rainy-day fund. Yay!

No, decide what can you cut back on, or alternatively raise extra money. See beginning of Budget section for small stuff slippage and income-raising ideas.

Your budget should include a monthly savings amount - that once you establish a controlled budget is the first thing you do.

There. You have Your Simple Bermuda Budgeted to Actual Worksheet set up.

I've input some GUESSTIMATE numbers, now you input your real income and expenses, then you decide what percentage you will try to save.

Repeat every month - simply track your actual income and expenses.

Then compare your actual costs to your budget amounts.

The budget amounts won't change because you have now defined a limit on your spending for the year.

The goal is to see how close you can bring your actual costs to your budget amounts! Each month!

Can you see a pattern? You can resolve these unknown expenses by setting up a simple necessary budget using your real numbers to filter out and control the random spending.

Feeling bad that your net monthly savings numbers aren't better?

Don't forget that you are saving - if you are currently employed!

Your Bermuda National Pension Scheme is putting away 10% of your gross salary every single month, every single year, unless in 2020, you temporarily elected 6%. Monitoring your pension accumulation to-date (covered further under Employee Benefits) is another opportunity to manage your finances going forward.

Many Bermuda families, way back when, never had a formal budget, but they knew the value of money!

Heads of households who worked two jobs:

the day job for someone else, the night job for the family. The extra income went immediately to reduce their mortgage principal balance and other debts.

Families who built their homes themselves - after working all day.

They didn't save with bank deposits; they used any extra cash above their living expenses (and a small cushion) to buy building materials. Some months, there was only enough cash for a few boxes of tiles.



Bermuda Homes overlooking StGeorge's Harbour & an old shipwreck Scott Stallard Photography

But, they persevered.

These are not just stories; I have met some of these determined individuals.

It took years to build by saving and budgeting, but!

They finally owned a home, a wonderful appreciating asset.



[Listen to tips for Making a Basic Budget](#)

<https://tinyurl.com/yfhc59z6>



[Listen to tips for a Simple Budget to Track ALL Income and Expense](#)

<https://tinyurl.com/yesfpnr>

References & Resources

Budget Calculators, Spread sheets and Motivational DIY Websites

There are thousands of budget websites, charts, and DIY help. Just type budget into a Search engine, what a huge surprise - take your pick

Here are some websites I like, just type names into your favourite search engine:

360 Degrees of Financial Literacy Home Budget Analysis

www.Vertex42.com calculators - these are free, designed for the more experienced individual who has worked with spreadsheets, etc.

There are just as many or more websites, blogs, Facebook, Instagram person accounts of managing a budget

Jamila: Journey to Launch to Financial Freedom - Budget Boot Camp. I like Jamila for her personal touch and motivational webinars, meetings, and podcasts! She has been featured on CNBC, Buzzfeed, Money, Business Insider and more.

NEFE Financial Literacy. The National Endowment for Financial Education from high school to adulthood, NEFE has worked hard for more than thirty years to promote, teach and motivate Americans to become financially successful. www.Nefe.com

