

I WAS BROKE.
NOW I'M NOT.

HOW DO I BUDGET?

By Joseph Sangl

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HOW DO I BUDGET?

Budget. The word alone gives chills to many people. Here are some things that people equate with budgets:

Budget = Restricting

Budget = I am broke

Budget = Controlling

Budget = No fun

Budget = Not going to do it!

Most people have tried budgets...and failed! For many, it was a bad experience that they are NEVER going to try again.

I want to make a deal with you. How about trying a proven method for just one month? How about giving it one shot? Just one. My hope is that you will try a budget for this upcoming month.

In this book, I am going to share with you the exact process that my wife, Jenn, and I took to prepare a budget that works. Guess what? The very day we started budgeting was the very day we started winning with money!

Some might say, “I hate budgets” and “I don’t need no stinkin’ budget,” but I would ask the following questions:

- How are you paying for Christmas this year? I am paying cash.
- How much is your car payment? I paid cash for my car.
- How much did you invest this month? I have invested for retirement for over 255 months in a row and my daughter’s college for over 173 months in a row.
- How much money do you owe on your credit cards right now? I owe \$0.
- When was the last time you had a great discussion—not a fight—on finances with your spouse? Jenn and I develop a spending plan TOGETHER every single month.
- If your car broke down tomorrow, do you have money in the bank to pay for it? Car repairs are not financial emergencies. I am not surprised when my car breaks down. Why? There is a car repair joint on every corner of every street of every city in the country. It is normal for cars to break down!

At the end of this book, some might call me crazy. Some might call me insane. Some might call me a wacko. I would say to them—call me whatever you want, except broke.

You see...I Was Broke...Now, I’m Not!

A budget is really nothing more than telling your money where to go. I have heard Dave Ramsey take the definition a humorous step further: a budget is nothing more than telling your money where to go instead of wondering where it went!

Exactly!

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So our first step to budgeting is:

STEP ONE:

Understand that a budget is nothing more than “telling your money where to go.”

Step One is the largest hurdle of any part of budgeting. The rest of budgeting is a breeze once you truly define the word “budget.” Once you have internalized Step One, it is time for Step Two.

STEP TWO:

Determine the income (take-home pay) you will receive during the NEXT month.

There is a very key word in Step Two—the word “NEXT.” I have learned that preparing a budget for money that has already been spent is not very fruitful. It is like being a Monday-morning quarterback for your finances. You want to get that money back. You wish you could have that money back. But it is GONE!

The budget must be completed BEFORE the month begins and BEFORE the money ever arrives. You are developing a spending plan for your money BEFORE you ever get it. The only way I have found to stop saying, “I can’t believe I spent my money that way” and “I wish I could have that money back,” is to develop a spending plan BEFORE I received the money for the month.

Think about it. What income will you receive next month?

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Here are some common ways that people receive money during the month:

- Paycheck
- Bonus
- Side Job Income
- Child Support
- Alimony

Whatever your source of income is, write it down. In fact, write it down and put the dates that you will be paid this money during the month. If your income is unpredictable, write down the amount of money that you can count on.

Use the free budget tools we provide at www.iwbnin.com—just click on “Tools” and download the budget tool that best matches your lifestyle. If you have at least one month’s worth of expenses in the bank, download the “Monthly Budget.” Because you have at least one month’s worth of expenses in the bank, you can sum up your total income and enter the total income in the Income section at the top of the budget form.

CATEGORY	Planned Income	Actual Income	Difference		
Income 1					
Income 2				INCOME	
Income 3				Total PLANNED	Total ACTUAL
Income 4				0.00	0.00

If you are living paycheck-to-paycheck, download the “Weekly Budget” template. Because you cannot pay all of your bills at the start of the month, you will need to develop a budget for each individual paycheck. Make the dates at the top of the budget form match up to your income dates and enter the income in the Income section at the top of the budget form.

CATEGORY	Amount	Amount	Amount	Amount	Amount	Total Income	
Income 1						0.00	
Income 2						0.00	
Income 3						0.00	Total Income
Income 4						0.00	0.00

This income is what you will be spending on paper BEFORE the month, the money, and the bills ever arrive!

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STEP THREE: Enter all your expenses for the next month.

This is where you spend your money on paper. In Step Two, you determined your total income for the next month, and it is now time to spend it on paper BEFORE the month arrives.

These expenses are real, actual expenses that will happen. I have seen many people include average expenses for the year. Averages don't work. Enter the real expense because this budget needs to be relevant to the next month.

If the expenses are not relevant to the next month, it is highly possible that you will consider the budget irrelevant for the next month!

If you don't know the ACTUAL cost (utilities, gasoline, etc.), enter an educated guess based on recent spending.

Enter all of the expenses into your budget. The budget form has some excellent features built into it.

- If OUTGO exceeds INCOME, the TOTAL will turn **RED** and tell you how much you have overspent.
- If INCOME exceeds OUTGO, the TOTAL will turn **YELLOW** and will tell you how much more money needs to be named.
- When INCOME = OUTGO, the TOTAL will turn **GREEN**...This is the ultimate goal.

Even if the budget TOTAL turns **RED**, keep typing in the expenses that you know are going to happen in the upcoming month. The goal is to get all of the known expenses for the next month on paper.

Yes, you will later have to remove some expenses or boost your income to get to **GREEN**, but the goal right now is to get all of the expenses into the budget form. By having all of the expenses in the budget, you can make a more informed choice on what will be removed from the budget at a later time.

Enter ALL of the real, actual expenses that will need to be paid NEXT month into your budget form.

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STEP FOUR: INCOME - OUTGO = EXACTLY ZERO

Your income is limited. If you bring home \$3,000 during the next month and spend \$3,208, your spending plan will not work. Where will the \$208 come from? It will have to come from savings OR from debt—usually in the form of a credit card.

Let me take it one step further. Let’s say you are really blessed and bring home \$70,000 during the next month (don’t laugh—many people do!). If you spend \$71,320, your spending plan will not work! The \$1,320 will have to come from somewhere— and many times it is made up with debt. Your income is limited!

In steps two and three, we entered all of the income and expenses in to the budget and, no surprise, the OUTGO exceeded the INCOME.

TOTAL INCOME	3,000.00
TOTAL OUTGO	3,320.00
INCOME - OUTGO	-320.00

There are two options when OUTGO exceeds INCOME:

- Increase the INCOME - Second job, overtime, side job
- Decrease the OUTGO - Decrease the expenses

In this budget, let’s say that this family receives salary. They cannot quickly increase their income, so they are going to focus on reducing their outgo. They need to eliminate \$320 of spending.

NOTE: This is not a “perhaps, perhaps, perhaps” type budget! This is how the family will ACTUALLY spend their money next month. Remember—if your budget is not 100% relevant to you and your family THIS MONTH, you will ignore the budget and use it to start a fire in your fireplace!

What expense can they eliminate? After working together on their budget, the family

	WAS	IS	Change
Emergency Buffer Fund	\$ 300.00	\$ 255.00	\$ 45.00
Groceries	\$ 375.00	\$ 325.00	\$ 50.00
Dining Out	\$ 100.00	\$ 50.00	\$ 50.00
Children's Clothing	\$ 50.00	\$ 25.00	\$ 25.00
Babysitting	\$ 50.00	\$ -	\$ 50.00
Date Night	\$ 50.00	\$ 25.00	\$ 25.00
Spending Money	\$ 100.00	\$ 50.00	\$ 50.00
Entertainment	\$ 50.00	\$ 25.00	\$ 25.00
	Total Change		\$ 320.00

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decides on the following changes

SUCCESS!! INCOME - OUTGO = EXACTLY ZERO!!!

TOTAL INCOME	3,000.00
TOTAL OUTGO	3,000.00
INCOME - OUTGO	0.00

You might be saying, “These people are CRAZY! They cut out ½ of their dining out, entertainment, blow money, and all of their babysitting money! They are crazy!” I would say, “Nope. They have had enough. They are so sick of living paycheck-to-paycheck that they are willing to live differently and change their lives forever—all because of a little sacrifice now!”

Jenn and I prepare a written spending plan every single month before the month begins and before any of the money gets to us. This is THE REASON we have won with money.

STEP FIVE: Follow the budget!

You have followed the steps. You now have a spending plan for the next month. It is time to live by it! After all, it was YOU who told your money where to go. Why wouldn't you follow YOUR plan?

As I have helped others develop their own spending plans, I have seen people completely break free of debt. I have seen people pay off their mortgages. I have seen marriages restored. I have seen the hopeless become hopeful.

That is what your budget will allow you to do. Develop a spending plan every single month BEFORE the month and the money arrives and then FOLLOW it. You will never regret this decision.

Maybe you have read this ebook in a guarded, protected way while wondering, “Will this work for me? I don't want to get my hopes up. I've tried this before.” I say that “YOU CAN DO THIS! I believe in you!” Why? Because I was there. I had an average bank balance of \$4.13 and the stress was awful. The shame was real. I did not know how to break free. Planning my spending one month in advance was what broke Jenn and me free. It will work for you too.

Why not pull up a free budgeting tool and get started winning with your money today?

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ABOUT I WAS BROKE. NOW I'M NOT.

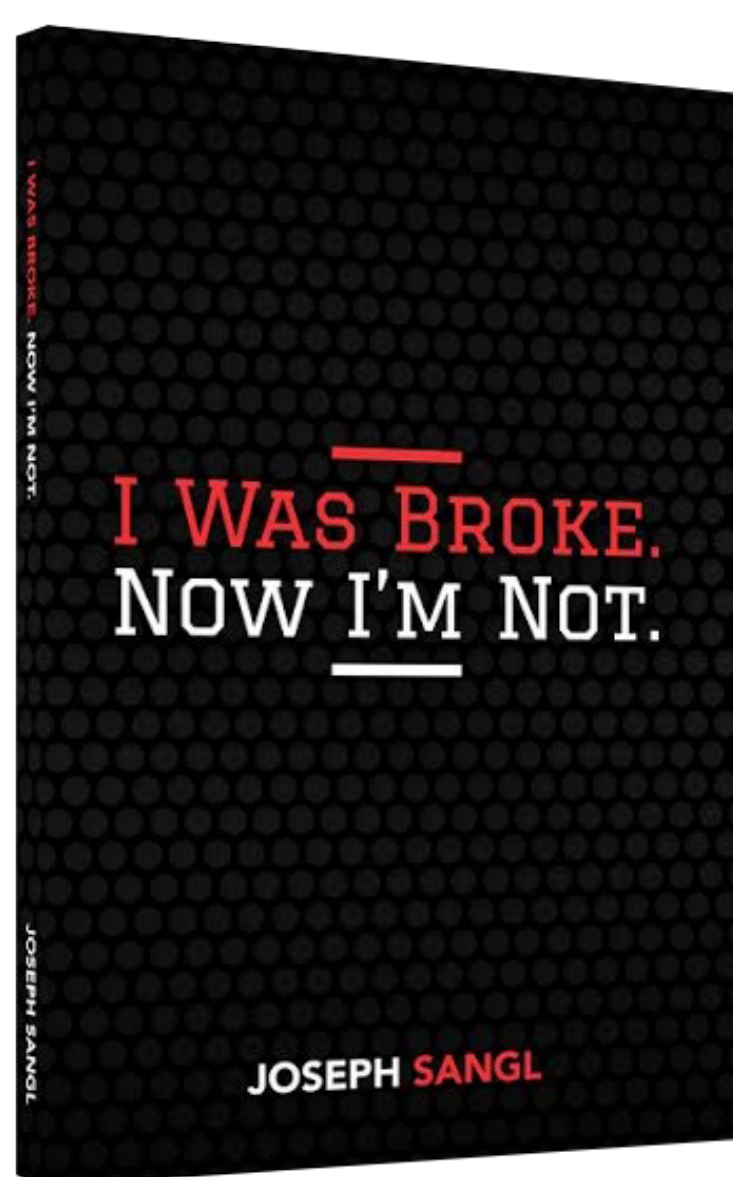
I Was Broke. Now I'm Not. was founded by Joseph Sangl who had a dream to teach people practical ways to win with their money. The IWBNI Team is passionate about equipping people to accomplish far more than they ever thought possible with their personal finances.

The IWBNI Team accomplishes its Passion Statement through the following means:

- Providing FREE personal finance tools via its website
- Writing books, studies, articles, and blog posts that teach practical and relevant personal finance tools
- Teaching live online experiences that build knowledge on financial topics
- LIVE speaking and teaching at churches, business and non-profit organizations throughout the world

Contact the IWBNI Team via email at info@iwbnin.com or call [864] 332-4151

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Money doesn't have to be a frustrating or confusing topic. When you apply the practical tools shared by Joseph Sangl in I Was Broke. Now I'm Not., you will gain control over your finances. As your financial education increases, you will begin to see your plans, hopes, and dreams become a reality as you start living a fully funded life! In this book, you will learn the fundamental rules of money. Even more importantly, you will walk away with HOPE that you can live a fully funded life!

U.S. \$20.00

This book and additional resources at www.iwbnin.com

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ABOUT JOSEPH SANGL

Joseph Sangl is a leading teacher of personal finances. It is his passion and mission “to help people accomplish far more than they ever thought possible with their personal finances.” He firmly believes that when people are financially free, they are much more likely to go do EXACTLY what they have been put on Earth to do – regardless of the cost or income potential.

He is the founder of I Was Broke. Now I'm Not., an organization that provides financial teaching through live events, print and web resources.

Joe has taught hundreds of thousands of people through Financial Learning Experience, Financial Freedom Experiences, one-on-one financial coaching sessions and personal finance messages. He is the author of the books, I Was Broke. Now I'm Not., What Everyone Should Know About Money Before They Enter The Real World, Funded and Free, and OXEN: The Key to an Abundant Harvest. His story has been featured in Money Magazine, the world's largest personal finance magazine.

He obtained a BS Degree in Mechanical Engineering from Purdue University in 1996 and an MBA from Clemson University in 2001.

Joe resides in Anderson, South Carolina, with his bride, Jenn, and their three children.



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