



وعي مالي شخصي
Personal Financial Literacy

Lesson 2

Making a Budget

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Making a Budget

Once you have completed the establishment of priorities and goals, you can begin to quantify these goals into a budget or financial plan. The beginning point for any personal financial budget is the preparation of a personal statement of financial position or balance sheet. This balance sheet lists your assets and liabilities and enables you to determine your net worth by subtracting liabilities from assets. This balance sheet is a “snapshot” of your financial position as of a point in time. You can just list your assets and liabilities on a sheet of paper, create a simple Microsoft® Excel Workbook yourself, or there are a number of templates available via internet websites for assisting in the creation of this important document. An example of a personal statement of financial position is displayed below:

Personal Balance Sheet Worksheet		Date: _____
Assets Analysis		Assets Detail Amount
Cash and Checking Accounts	Balances in your bank accounts.	
Marketable Securities	The market value of any securities you may hold.	
Real Estate/Home	The estimated market value of your home plus any other real estate you may own.	
Vehicles	The market value of your automobiles.	
Personal Property	The estimated recoverable value of your furniture, jeweler, electronics, etc.	
Insurance Cash Values	The surrender value of any whole life policies you may have.	
Other	Any other assets you own.	
Total Assets	A	
Liabilities Analysis		Liabilities Details Totals
Secured Loans	Mortgages, automobile loans.	
Credit Card/ Charge	Balances on your credit cards.	
Other Liabilities	Any other debts you may have.	
Total Liabilities	B	
Net Worth (A-B=C)	C	
Total Liabilities & Net Worth	D	
Degree of Debt Analysis		
<i>If total liabilities exceed total assets, subtract assets from liabilities to determine degree of debt (B – A = E)</i>		
Total Liabilities	B	
Total Assets	A	
Degree of Debt	E	

Personal Budgeting

After you have completed your statement of financial position you should know exactly where you stand. The next step is to prepare a monthly budget of all your sources of income and all the expenses you have to pay each month. Again, there are many Excel based tools available to assist you in this process [insert links]. You also can simply prepare your budget using a template similar to the one shown below:

CATEGORY	BUDGET AMOUNT	ACTUAL AMOUNT	DIFFERENCE
Income			
Wages and Bonuses			
Interest Income			
Investment Income			
Miscellaneous Income			
Income Subtotal			
Less: Amounts Withheld			
Spendable Income			
Expenses			
Home:			
Mortgage or Rent			
Homeowners/Renters Insurance			
Property Taxes			
Home Repairs/Maintenance/HOA Dues			
Home Improvements			
Utilities:			
Electricity			
Water and Sewer			
Natural Gas or Oil			
Telephone (Land Line, Cell)			
Food:			
Groceries			
Eating Out, Lunches, Snacks			
Family Obligations:			
Child Support/Alimony			
Day Care, Babysitting			
Health and Medical:			
Insurance (medical, dental, vision)			
Out-of-Pocket Medical Expenses			
Fitness (Yoga, Massage, Gym)			
Transportation:			
Car Payments			
Gasoline/Oil			
Auto Repairs/Maintenance/Fees			
Auto Insurance			
Other (tolls, bus, subway, taxi)			

CATEGORY	BUDGET AMOUNT	ACTUAL AMOUNT	DIFFERENCE
Debt Payments:			
Credit Cards			
Student Loans			
Other Loans			
Entertainment/Recreation			
Cable TV/Videos/Movies			
Computer Expense			
Hobbies			
Subscriptions and Dues			
Vacations			
Pets:			
Food			
Grooming, Boarding, Vet			
Clothing			
Investments and Savings:			
Savings Plan			
Stocks/Bonds/Mutual Funds			
College Fund			
Savings			
Emergency Fund			
Miscellaneous:			
Toiletries, Household Products			
Gifts/Donations			
Grooming (Hair, Make-up, Other)			
Miscellaneous Expense			
Total Investments and Expenses			
Surplus/Shortage (Spendable income minus expenses & investments)			

If your expenses vary significantly from month to month, you may need to prepare a 12 month budget.

Now you have a complete picture of your personal financial status, a balance sheet showing your assets, liabilities, and net worth; and a monthly budget detailing your income and expenses.

These tools will enable you to determine what actions you might need to take to bring your financial house in order. If you owe more than you own, or your assets are less than your liabilities you might need to create a plan to reduce your debts by systematically paying them down. If your expenses exceed your income, you might need to find a way to eliminate or reduce some of your monthly expenditures. These steps must be undertaken before you can begin any investment program. More information about this topic can be found in Lesson 9.

Let's assume your financial house is in order, your assets exceed your liabilities; and your monthly expenses are less than your income allowing you to begin an investment plan. The first step is to establish or review your banking relationship.