

How to Create a Successful Budget



Welcome to Sunburnt Saver's e-book on budgeting!

I'm so glad you've decided to take the budgeting leap with me. Budgeting is very important, and we'll get into why soon, but budgeting is also incredibly personal.

You likely already have some reasons why you want to create and follow a budget. Maybe you're saving up for an addition to the family, purchasing a home, or getting rid of debt.

Before we get started with the e-book, I'd like you to write down the reasons you're creating a budget. By making this list, you'll have an up-front reminder of why you are budgeting. This will be extremely helpful when you get discouraged with your budget in the future. Trust me - this will happen so you don't skip this step. We'll also refer to it a lot throughout this guide.

Why I'm Creating and Sticking to a Budget:

Example: To get out of debt and control my life. To purchase my first home by age 30. To plan for retirement.

- 1.
- 2.
- 3.

I hope this budgeting guide is useful to you for a long time, but hopefully you'll get to a point where budgeting becomes second nature, and you won't need this anymore. You can always use this guide as a reference, a reminder of your goals, and as motivation when you need encouragement.

Curious about why I'm qualified to give advice about budgeting? Two reasons:

- I'm a reformed horrible budgeter
- I worked professionally for five years in budget and project management divisions

When I was younger, I was terrible with my budget. I'd make a budget, then ignore it and spend all my money on things I didn't really need. It was irresponsible and detrimental to my future and my desire to get a better job. Now, I'm much better with

my budget. I stick to the budgets I make and follow them carefully. I went from having a negative savings rate (spending more every month than I earned!) to having a positive savings rate that is regularly \$300 or more a month.

I don't have a huge salary to make this happen. I work a very modest job in the budget section of my department, where I deal with numbers, spreadsheets, and budgets every single day. I've learned the best ways to manage money, plug holes, and generate extra income. I'm now able to take jobs because I want to, not because I need the money. I'm able to take modest vacations and enjoy life a little more without being afraid of checking my bank statements.

I'm a great example of how it's possible to take back your budget and *make it work for you*. Depending on your income and fixed expenses, you may struggle and make mistakes on your budget journey. That's okay, and it happens to everyone. You just have to stick to it and make it a priority, and I promise you'll be much happier for it! We're in this together! If you ever have any questions, or want an accountability buddy, email me! My email is Melissa@sunburntsaver.com, or you can comment on posts at SunburntSaver.com. There you'll find a community of people just like you - dedicated to budgeting and saving!

Now, on to our budgeting journey!

Your budgeting buddy,

Melissa the Sunburnt Saver

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Chapter 1: Why Budget?

If you completed the first step I suggested in the preface, you already have a list of reasons why budgeting is important to you. These three reasons are likely your biggest priorities, the things that mean the most to you. Is one of your goals to pay off debt and live a simpler life? Is one of your goals to bring in more money so you can take care of your family financially?

By creating a budget, you'll be able to do both of the things listed above. In fact, by establishing and sticking to a budget, you'll be able to pay off debt, travel, take care of your family *and* stress less about everything related to money.

If you've created a budget before and had trouble making it realistic or sticking to your budget, don't give up and go back to hoping you're not affected by an emergency that puts you in debt. If you're already in debt, it's not hopeless to set a budget. Eventually you'll get out of debt, but with a budget in place, you should get out sooner rather than later.

Personally, I've lived paycheck-to-paycheck in the past because of under-employment, but even with all my housing and transportation expenses, I still managed to save up \$1,000 over the course of 9 months. That may not seem like a lot, but it is when you're making \$14 an hour (or less, for those who make minimum wage in the U.S.). Even those who are under-employed and struggling to live paycheck to paycheck can set budgets and save a little bit of money. Remember, every little bit counts and reaching that first \$1,000 of savings is so worth it!

Why Budget?: Think About Your Future Self

If you're living paycheck to paycheck because you're spending too much money on "fun", it's time to reflect. While living it up is fun, you need to think about your future self.

Thinking about future-you is easier to do with a tool like [Face Your Retirement](#) by Merrill Edge. This tool takes a picture of you through your webcam then ages you over time to show what you might look like when you're older. The goal of this tool is to get you to empathize with your future self and make better savings choices *now*.

After all, many of us say we'll work until age 50, 60, or beyond, but life has a funny way of messing with us. Taking care of yourself is important, but you can't plan for things like: car accidents or inexplicable illnesses. The point is that you should save now so you can handle the unexpected events that life will inevitably throw your way.

Take another look at the list of reasons why you're budgeting. Those reasons combined with knowing you have to take care of things now for the sake of your future self, should give you plenty of motivation to budget.

Homework: The best way to gain control over your budget is to start tracking what you spend right now. Write down how much you spend every day for one week to see where your money is going. If you took \$20 out of the ATM for happy hour, don't write down "\$20 – date – ATM". Be specific! Write "\$20 – date – money for happy hour with Laura, Jill, Gabe".

After a week, you can see where your money is going and whether or not it aligns with the goals you have written down.

Chapter 2: Creating a Budget

If you've been tracking your expenses for at least a week, you're well on your way to demolishing this next step! Even if you haven't been tracking your expenses like the last chapter suggested, this chapter will get you started thinking about your monthly expenses.

You should start with your income first, because that's the most fun part. How much are you bringing in, and how can you bring in more if you're not earning enough to cover all of your monthly expenses? Don't forget to include income from all sources - your main job, side jobs, and everything in between.

Next, you should look at your expenses, which can also be fun at times, but are mostly necessary and boring. To get around the boring part you can establish recurring expenses for monthly things, like your rent, car payment, etc. Then you can look at the fun part, like entertainment and retirement. Yes, saving for retirement is fun!

Ready to get started? It's time to create your budget!

Step1: Track Your Income

Tracking your income is a vital part of having a successful budget, because what you bring in should dictate what you take out. Plus, if you want to budget *successfully*, you need to make sure you have leftover savings (i.e. PROFIT) at the end of the month. However you earn your income (steady full-time work, part-time work or freelance work), let's start by tracking it.

Start by gathering up all your sources of income. Sources with an "S", you say? Yes! Your income is not just your paycheck. Income can include:

- [Side hustle work you do](#) - freelance writing, making money on your blog, etc.
- Garage sales
- Ebay, Amazon, or Craigslist sales
- Cash back rewards

- Survey money - if you participate in surveys and receive money or discounts, count this as income
- Bank interest
- Rental income - if you own investment property or rent out a room in your house
- Tax refunds
- Bonuses

Like I said, income is often more than just a paycheck from your main job! Once you've gathered up records of everything you made over the past month, keep it all in one folder (either a hard copy folder, a computer folder). You can also use [my free printable Income and Expense Tracker](#), or an online tool like [Mint.com](#) to help you get started.

Step 2: Set Up Expense Categories

If you haven't been tracking your expenses, grab all your receipts, bank statements, credit card charges, etc. and have them handy. You'll need them to set up your budget categories.

You can be as specific or general as you like when deciding on your expense categories, but my recommendation is more general, less specific. Here's a list to get you started:

- Mortgage/Rent - **budgeting to buy a new house? Tips on budgeting [for a house here!](#)**
- Car - including insurance, gas
- Utilities - water, sewer, gas, electricity, etc.
- Student Loans/Credit Card Debt
- Cellphone/Internet/TV
- Groceries
- Entertainment - this includes eating out, cost for the babysitter, movies, etc.
- Charity - donations to your kid's school, regular annual donations
- Savings - including your emergency fund
- Medical - insurance, copays, prescriptions
- Personal Care - this includes toiletries, haircuts, makeup, clothes, etc.

- Home Care - this all the stuff you need for your house, include dishwashing detergent, hand soap, Lysol wipes, whatever it is that you need on a regular basis to keep the home not a hovel
- Gifts - hopefully not a monthly expense, but you'll want to budget for this regularly
- Misc - pets, hobbies, etc.

It looks like a long list, but check over your receipts and statements again. Do you notice you've spent something in each category over the last month or two? If not, feel free to delete a category! For example, if you don't own a car at all, feel free to ignore or remove that category. You may want to make room for a transit fee though, if you use public transit in lieu of a car.

Step 3: Start Tracking!

Now that we have our categories, it's time to let the fun begin: tracking what's going in and out! You can use any method you like: a pen and paper, Mint, Google Sheets, or the [free tracker I created](#).

The easiest way to get started tracking is to gather all your receipts and input them on your spreadsheet. Grab a receipt, enter it in the applicable category on your tracking sheet, and file your receipt away.

Note: Don't just file your receipt willy-nilly. You should file it away according to its category.

I highly recommend keeping your receipts for 6 months, so you can keep track of your receipts and reconcile your budget spreadsheet, but also so you can return a purchase if necessary. Even if the return period has expired on a purchase, you can sometimes use your receipt to get store credit instead.

This was a long chapter, but this is the hardest part! The whole point of budgeting is that putting in work up front to create your budget will keep you going all year long with little maintenance.

Homework: You knew this was coming... make your budget! Even if you have to estimate some expenses, start by categorizing your major expenses (housing, transportation, food, etc.) and estimate those costs. Once you have more information, write down what you *actually* spent so your budget will be as accurate as possible. You may find out you have more categories than anticipated!

Still need inspiration on creating your budget? Consider a zero-based budget! Zero-based budgeting basically takes your entire income for the month, then allocates every single dollar to something: rent/mortgage, utilities, groceries, savings, debt, etc. Every dollar has a job, and you're left with \$0 at the end of the month - but with everything paid for and allocated. [Read more about zero-based budgeting here.](#)

Chapter 3: Budgeting for Emergencies

As much as we hate it, emergencies happen. Have you ever noticed emergencies always seem to happen at the worst times too? You've just shelled out to replace your tires when a pipe explodes, flooding your house. Or your kid gets sick, and that's the time your car breaks down. Not cool, right?

Luckily, there is something we can use to help with these unexpected expenses: an Emergency Fund. The goal is to never use your Emergency Fund, but it's incredibly important to incorporate it into your budget anyway. So how much should you keep in your Emergency Fund, and where should you keep it?

How Much Should You Save?

Let's make this simple: you probably need \$1,000 in your Emergency Fund, at least to get started. Why \$1,000? Because most emergencies (hopefully) won't cost you more than \$1,000. Tires, most car expenses, medical expenses and co-pays - will all be under \$1,000 for the most part. Your first goal is to save \$1,000, so you need to budget for that each month until you hit your goal. Of course, there are situations when you'll need more than \$1,000 to cover an emergency.

High Risk Situations

If you're single, your income is irregular, your job (and/or hours) are precarious, or if you're the sole income-earner for your family, you'll want to save up 6 months worth of net pay in your Emergency Fund.

For example: If you make \$2,500 a month, you'll want to save \$15,000 in your emergency fund (\$2,500 in net pay multiplied by 6 months).

Does that sound like a lot? It won't be if you get into an accident and have several *thousand* dollars worth of medical expenses. It won't seem like a lot if you lose your job.

During the most recent recession, families lost their homes because they couldn't pay their bills. People laid off during that time struggled to find work and when and the jobs they did find didn't pay as much as they were used to.

Moderate Risk Situations

If you're somewhere in the middle risk category: two-earner household, steady employment, a job with health insurance and benefits like FMLA, etc., you could probably lower the amount of money you have saved in your Emergency Fund. Three months worth of net pay will likely suffice, so if you make \$2,500 a month, try to have \$7,500 saved for emergencies. You can even be [ruthless with your budget](#) to help you stay afloat if you lose your job or have another emergency.

You'll notice on the [free budget tracker](#) a line is included for your Emergency Fund contribution. This is something you should be adding to as consistently as possible, at least until you've saved up the minimum amount you need.

Using your budget tracker, calculate how much you would need to save in your emergency fund to get through 3 to 6 months of unemployment. What could you cut out of your budget? Consider reducing those categories, at least temporarily, to increase the amount you can contribute toward building your Emergency Fund.

Remember, it's only temporary. Once you have enough money saved for your Emergency Fund, you can go back to your original spending limits. However, you may find you've gotten used to your lower budget and decide to put your extra money toward retirement.

Where Should You Keep Your Emergency Fund?

Once you have at least \$1,000 saved for your Emergency Fund, it's time to stash it away in a special account. Putting it in an account separate from your regular savings account will help you avoid being tempted to spend it. Trust me, if you see money in your Emergency Fund, it's pretty easy to justify using it for something that's not exactly an emergency.

There are three things to keep in mind when choosing the right place to stash your Emergency Fund:

- Risk - you want a low-risk place to keep your Emergency Fund
- Access - if there's an emergency, you'll want to access your money quickly
- Liquidity - there's no use keeping your money invested in something that's hard to sell when you need the money. That means keeping your Emergency Fund in stocks is not a good option.

That said, you don't necessarily have to keep your Emergency Fund in a savings account. That's an option, but here are some other options for where you could keep the money you have saved for your Emergency Fund:

- Cash - easy and simple, but don't tell anyone you're keeping that much cash around
- Money Market Accounts - better than a savings account in terms of interest return, although still pretty low
- High Yield Savings Accounts - similar to a money market account, slightly better return than a regular savings account

It's up to you where you choose to keep your Emergency Fund, and there is not a one size fits all answer. The most important thing is to have an Emergency Fund!

Homework: Estimate how much you need for your Emergency Fund. Don't forget about the risk factors we discussed. Are you single? Do you have an irregular income? Add a line item to your budget tracker for monthly contributions to your Emergency Fund.

Chapter 4: Identifying Habits of Successful Budgeters

We're almost to the end of our budgeting journey! If you're looking for some motivation to stick to your budget, take a look at these successful budgeters and how they stick to their budgets.

1. [Steve from MoneySmart Family](#) emphasizes consistency when sticking to his budget. Steve says his family sits down and reconciles their budget twice a month, every month.

This is a really important thing to keep in mind when you're budgeting: if you have a family you're in this together. Successful budgeters know it's important to get everyone on board to understand what your family's priorities are and why you're saying "no" to some things.

2. [Steve from Steveonomics](#) ruthlessly cuts his spending. By tracking what you spend and cutting unnecessary things out, you can keep an eye on your budget and stick to your goals. For example: Do you need that Netflix account, or can you get away with renting \$1 movies from RedBox? Depending on how often you watch movies, RedBox may be the cheaper option.

Cutting the waste and being ruthless with your spending will also allow you to add to your savings for your Emergency Fund or whatever other priority you're currently saving for. Successful budgeters know they have to cut waste ruthlessly now so that they can enjoy their savings later.

3. [Sarah from The Frugal Millionaire](#) finds fun ways to work around her budget. Sarah has two little kids, and she wants to have fun with them while managing her spending. Between invitations to playdates and birthday parties, expenses really add up. Sarah found her kids get just as much enjoyment from the local library, which is free, as they do a local Discovery Center, which costs money.

Eventually most people start to embrace the free activities – especially once they see how much they're saving! Successful budgeters find ways to work around their budget

ahead of time, so that they can still enjoy time out with friends without having to explain their budget.

4. [Tonya from Budget and the Beach](#) takes a different approach. She lets her friends and family know about her budget up-front. Because some of her friends make bigger salaries, they tend to want to go out more frequently. Instead of dodging questions about her budget, Tonya has made her friends aware of her priorities. Best of all, Tonya's friends have embraced her priorities and even read her blog!

Talking about your budget and priorities is a great way to find out who your friends really are. Successful budgeters know that the right friends, the ones who care, will be on board and support their priorities.

5. One of my biggest challenges while budgeting is ignoring the Jones'. If you want to successfully budget and have enough money for those priorities you outlined earlier, you have to fight the temptation of keeping up with the Jones'.

Successful budgeters know an expensive item won't make them rich. They know that their priorities are sound, and while they'll never be rich and famous like Kanye and Kim, their families will be healthy and well-taken care of.

Homework: What makes you a successful budgeter? Do you have a strong network of friends and family? Are you diligent? Do you pay yourself first? List your strengths and how you'll use them to keep yourself on a track with your budget.

Chapter 5: Bringing in Extra Money

Eventually we all reach a point where we look at our budget and realize that we need to make more money. If you've hit that point, you've come to the right place! Here is a short list of ideas for how you can make more money.

Ask for a Raise

One of the best ways to make more money is simply pursuing a raise, or more hours, at your current job. This is one of the best ways to make more money because you already have the job, - and you know what extra things you might need to do if you got a raise, promotion, or more hours.

Additionally, your employer is already familiar with you and your work. This is a better deal for them because they aren't hiring some unknown person off the street without any knowledge of the company.

When you inquire about a raise or extra hours, it's a good idea to highlight anything you've done above and beyond your regular job duties. You also need to consider the environment at your company: Are they hiring more people, or are they discussing layoffs or cutting back on expenses like training?

As long as your company is growing, you've gone beyond your regular job duties, and you're not brand new to the organization, it may be a good time to approach your boss for a raise. Check out these articles about [how to approach your boss](#) to [ask for a raise](#).

Use your Skills

You may be thinking "But I'm not good at anything!" However if you *really* think about, you're bound to be better than *some* people at at least one or two things, right?

Here are some skills you might be able to turn into a side hustle to earn extra money:

Tutoring - Were you good at math, English, music, or a foreign language? Anything you're proficient at you may be able to market! For example, if you were a math whiz

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you could consider advertising your skills to tutor students in algebra, trigonometry, calculus, or even studying for the math part of the SATs.

Cooking - No everyone knows how to cook, enjoys cooking, or is good at cooking. (No shame - I'm one of them!) But if you're good at cooking or baking, you might be able to sell your delicious goods at farmer's markets or bake sales. Bake sales may seem hokey or even intimidating, but you can start small. A friend of mine set up her bake sales during garage sales. If you (or people you know) are planning a garage sale, see if you can tag along and set up your own baked goods or food table. Not only will you make some extra cash, you may find people who want you to cook for them on a regular basis!

Be a Server or Bartender - These are quick cash jobs with high turnover, which means you should be able to get a job in a reasonable amount of time. Especially if you've ever been a server or a bartender, this should be a fairly easy gig to score.

No Skills? No Problem!

If you really don't have any marketable skills, you could pursue one of the following jobs that require some things, like access to the Internet, or a car, but don't require a ton of skill.

Mechanical Turk - Amazon's Mechanical Turk program has you complete Human Intelligence Tasks (HIT) for a nominal amount of money. The tasks are fairly simple, and pay is low, but you can knock out a couple of jobs in a day and make some extra cash for the week.

Uber Driver - Being an Uber (or Lyft or Sidecar) driver can be a fun way to make some extra money if you have a car, a basic knowledge of your city, and are willing to let strangers ride in your car. The best part about being a rideshare driver is you control when you make money. You can choose to only want to work on busy weekends, when surge pricing is sometimes in effect, or you could be a driver during the weekdays while your kids are in school. Depending on the size of your city, you may have consistent customers generating money for you every week.

[AirBnB](#) - If you have an extra room in your house, and you are okay with strangers staying in it you may be able to rent it out on AirBnb! [I've covered AirBnb before](#), and I am a huge fan of the service. The people renting your room are strangers, but you can chat with them online prior to renting them your room, and in order to rent through AirBnb, customers have to go through screening to make sure they're real. If you live in a popular tourist city, this could be a great way to make some extra money!

[Petsit](#) - People who have plenty of space, some free time, and a love for pets should consider petsitting. Petsitting is like babysitting, except the dogs won't talk back. You can get started petsitting by posting ads on Craigslist or at your local Starbucks, but one sure-fire way to find customers is signing up with DogVacay.com. You'll have to be approved through the site, but once you are, you'll be able to set up a profile, show off your home or the space the dogs will roam, and your qualifications. Getting paid to hang out with dogs all day sounds awesome!

[Be an Online Juror](#) - Have you ever thought about being an online juror? With EJury.com, you act as a pre-juror to a case. After reviewing the facts and answering a few questions, you are paid \$5-10 per case. While this isn't a lot of money, doing these juror jobs doesn't take very long and is a good way to make extra money if you have small blocks of free time.

Sometimes when making your budget, you realize you have a lot more expenses than you have money coming in. If you need to make some extra money, consider taking on one of these side hustles. It can always be temporary, or if it's a smashing success and you enjoy it, maybe you can make it a permanent side job.

Homework: Do you have any skills, talents, or free time you can market? If you need to make extra money to add to your budget, consider taking on part-time or freelance work. All you need is some time and the desire to make some extra money.

That's it for our ebook! I hope you found the advice in here useful, and I wish you the best of luck in creating and sticking to your budget. Don't think you're off the hook, though - I want you to check in with me on how you're doing!

You can learn new updated tips and tricks and keep me updated on your budgeting progress at [Sunburnt Saver](#).