

Setting Your Financial Goals

Objective

To set up a basic budget and achieve financial goals.

What to Know

Budgeting is the foundation of your financial success. A budget, or spending plan, helps you understand how you spend money, set financial goals, and prioritize spending.

Even a basic spending plan can provide insight into how you can manage your money to achieve your goals. But you might not want to budget because you feel like you are sacrificing, or you believe it takes too much time.

This worksheet will help you identify how you spend your money, begin to control your spending, and set and achieve your financial goals.

What to Do

1. Gather bank statements and income information. Get your checking, savings, and credit card statements for the past month. You might want to get your most recent pay stub and last year's tax return.

2. List your basic income. Your basic income is the money you can count on every month. It does not include overtime, bonuses, or other incentive pay. If you have a job where your income varies, such as food service or sales, write down the income you earn in your lowest-earning month.

Source of Income	Amount
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
	Total Income: \$ _____

Later you will add in overtime, bonuses, and so forth. It is a lot more fun to identify how to spend extra money instead of figuring out what to cut out during leaner months!

3. List fixed costs. Fixed costs are monthly expenses you must pay to maintain your life, and include your rent or mortgage, utility bills, groceries, car payment, and insurance. Review your credit card and bank statements to find all the expenses you can categorize as fixed costs. As you list them on the budget, cross them off on your statements.

Fixed Cost	Amount
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
	Total: \$ _____

Once you have identified all your fixed costs, add up the total and deduct it from your income. This will provide you with your discretionary income.

$$\begin{aligned}
 & \$ \underline{\hspace{2cm}} \text{ Income} \\
 & \quad \text{(minus)} \\
 & \$ \underline{\hspace{2cm}} \text{ Fixed Costs} \\
 & = \$ \underline{\hspace{2cm}} \text{ Discretionary Income}
 \end{aligned}$$

4. Add up your optional obligated costs. These are expenses you must pay every month because you chose to sign up for them, and might include a gym membership, the cable bill, or your cell phone. List the expenses on your statements you pay every month, but you can live without.

Optional Obligated Costs

Amount

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

Are there any quarterly or annual expenses you should include? List them.

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

There is nothing wrong with having these types of expenses, but to achieve your financial goals this is the best place to look to free up money in your budget.

Optional obligated costs also include minimum payments on credit cards if you carry a balance. List these payments, along with any other loan payments you did not include above.

_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

Add up the variable costs and deduct the total from the income you have left over from Step 4.

\$ _____ Remaining Income

(minus)

\$ _____ Variable Costs

= \$ _____ If you have a negative number, that is OK. You have just identified how you may be overspending – and why you might be in debt.

6. Identify your financial goals. Perhaps you want to invest for retirement, take a vacation, or buy a vehicle. As you write down your goals, enter **the amount you want to save each month** toward each goal.

Financial Goals	Amount
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
	Total: \$ _____

What is **one** financial goal you would like to achieve **within the next six months**? Circle it.

Now that you have written down your income, all your expenses, and your financial goals, it is time to recreate your budget based on your priorities. Make your spending plan reflect how you *want* to spend money rather than how you currently spend money.

7. Can you reduce any of your expenses? You have some control over fixed costs – for example, you can downsize your home or reduce grocery spending. There is even more flexibility in optional obligated costs and variable expenses. Brainstorm some ways you can cut your total expenses.

Is there anything you currently spend money on that you can cut out or reduce to save for your financial goal? Write them down.

Now, revisit your income. Remember, your original income number was based on your basic income, excluding overtime, bonuses, and so forth. You can fund your financial goal using this additional income. Write down any extra money.

What are some other ways you can earn extra money?

Over the next six months, write down how much money you save for the goal you identified on the previous page.

Financial Goal: _____

Month	Amount Saved This Month	Total Amount Saved

Reflections on This Exercise

At the end of six months, how much did you save? \$ _____

Was it enough to achieve your financial goal? Why or why not?

If you achieved your goal, congratulations! If not, write down what else you can do to achieve your goal over the next six months.

How helpful was this exercise? _____
(1 = not very helpful, 5 = moderately helpful, 10 = extremely helpful)

What did you learn from this exercise?
