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## Tips and Tricks for Budgeting

### Envelope Method

I love this method because it is so easy and simple. It controls my spending habits by providing me with a limited number of physical money.

#### *What is it?*

So basically, you take an envelope for every expense or saving you have and every month you put money into it. To organize the envelopes visually you can color code them (blue for rent, green for groceries etc.).

For example, you get paid 2000 dollars (francs, euros etc.) a month and you know 1500 dollars is your rent. What you now do is, withdraw 1500 dollars from your account and put it into the envelope for rent. The money in this envelope can only be used for rent. Now you only have 500 dollars left for your other expenses (2000-1500). You know on average you spend 100 dollars a month on eating out. So, you withdraw 100 dollars from your bank account and put it into the “eating out” envelope. This money, like for the “rent” envelope, can only be spent on eating out. If there is no more money in the envelope, you’ll have to cook or eat at a friend’s house etc. You would go on and divide the remainder of 400 dollars on other possible expenses. Make sure you align your envelopes relative to your events, so if you know you’re going to three dinners this month, put some more money into the “eating out” envelope. The whole concept goes for all other expenses like groceries, phone, savings etc. (hint: You will find a list of possible expenses on the next page).

#### *What if I don't live alone?*

If you have a roommate or you’re in a relationship you can still make the envelope method work. Just make two envelopes (or more depending on your circumstances). Let’s say you agreed to only spend 200 dollars/month on groceries. If you know that your roommate goes grocery shopping more often than you, her envelope would have 150 dollars and yours only 50 dollars.

### Automation

The best thing you could do is automate all your fixed expenses. Those include expenses that are the same every month all year round, like rent for example. That way you don’t get tempted to spend money that should finance your essential needs. On top of that, you don't have to think about those expenses, since they are taken care of. It also takes away the risk of overspending and having to pay an overdraft fee. Most banks provide an e-finance service of some sorts, where you can see your spending habits and automate your fixed expenses on your own.

## 50/30/20 Method (needs, wants, savings)

The 50/30/20 rule is a good method that can be applied to all income classes and transformed as pleased.

### *What is it?*

The 50/30/20 rule splits your income up into 3 categories: Needs, Wants, and Savings. Most people use 50 percent of their income for bills. 30 % for their wants and 20 % for their savings or debts. What your ultimate goal should be is maximizing the money for savings or investments and minimizing the money you spend on your wants and even cutting down on your needs. Of course, you're free to set the percentages as you please and your income allows. For example, 60/30/20 or 40/15/45.

Let's say you earn 2000 dollars a month. Using the 50/30/20 rule would mean, 50 % of that money goes to fixed expenses like rent, health insurance, transportation etc. That means a 1000 dollars go to your fixed expenses. Next, you have to deduct 30% for your wants like clothes, cosmetics, pocket money etc. 30% from 2000 dollars is 600 dollars reserved for your wants. This leaves you with 400 dollars for savings or debts.

## Split yearly expenses into monthly expenses (divide by 12)

If you have expenses that occur yearly split them up into 12 (for every month) and save up for when the expense occurs. For example, I have a yearly ticket for public transportation, that costs 725 francs. I split the 725 francs into 12 parts, one for every month, which makes 60.45 francs a month. I save this money until I have to renew my ticket. That way I don't have to spend a huge amount of money at once because I already put money aside for that expense.

FYI: You can totally combine all the budgeting tips above. For example, using the 50/30/20 method and you earning 2000 dollars a month. 50% of your income should include all your solid respectively essential expenses like your rent, health insurance, your phone bill etc. That makes 1000 dollars for essential expenses. I recommend you automate all essential expenses. Then 20% goes directly to your savings, which is 400 dollars in this case. The remaining 600 dollars you can split up into envelopes for groceries, clothes, cosmetics etc. Et voilà! Your budget for the month.

## List of Possible Expenses

### 1. Fixed Expenses

- Housing costs
  - i. Rent/Mortgage
  - ii. Additional housing costs
  - iii. Electricity
- Phone
- Radio
- TV
- Internet
- Books
- Tax
- Public Transport (bus, train, and subway)
- Credit
- Insurance
  - i. Healthcare
  - ii. Private insurance
  - iii. Household inventory
- Car
  - i. Insurance
  - ii. Tax
  - iii. Operating costs (fuel, oil changes etc.)

### 2. Household Expenses

- Groceries and Drinks
- Eating Out
- Cleaning Things
- Cosmetics (toothpaste, shower gel, facial products etc.)
- Medicine
- Laundry

### 3. Remaining and other Expenses

- Clothes
- Shoes
- Doctor (Pharmacy, Dentist etc.)
- Unexpected Expenses
- Gifts
- Donations
- Leisure (sport, amusements etc.)
- Vacation
- Pocket Money
- Savings

# Monthly Budget Planner

For the Month of	Total Income

Due Date	Paid?	Expense	Budget	Spent	Difference
<b>Income</b>					
		Main Income			
		Other Income			
		Total			
<b>Fixed Expenses</b>					
		Rent/Mortgage			
		Electricity			
		Additional Housing Costs			
		Phone			
		Radio			
		TV			
		Internet			
		Books			
		Tax			
		Public Transport			
		Credit			
		Health Care			
		Private Insurance			
		Household Inventory			
		Car Insurance			
		Car Tax			
		Car Operating Costs			
		Total			
<b>Household Expenses</b>					
		Groceries and Drinks			
		Eating Out			
		Cleaning Things			
		Cosmetics			
		Medicine			
		Laundry			
		Total			
<b>Remaining and Other Expenses</b>					
		Doctor			
		Clothes			
		Shoes			
		Leisure			
		Vacation			
		Pocket Money			
		Gifts			
		Donations			
		Unexpected Expenses			
		Total			

### Savings

Last Month's Savings	Currently Saved	Total Needed

### Goals

By When?	For What?	Monthly Savings	Currently Saved	Total Needed	Remaining Needed

### Debt

Name of Debt	Starting Debt	Paid? (-)	Added? (+)	Ending Debt

# Monthly Budget Planner (empty)

For the Month of

Total Income

Due Date	Paid?	Expense	Budget	Spent	Difference
<b>Income</b>					
		Total			
<b>Solid Expenses</b>					
		Total			
<b>Household Expenses</b>					
		Total			
<b>Remaining and Other Expenses</b>					
		Total			

