

## Copland Budgeting System

### Overview of Forms

The explanation for my budgeting system is in this Word data file. The budgeting system itself is located in an Excel data file. If you do not have a copy of the Excel data file, send an email to [thomas@copland-ca.com](mailto:thomas@copland-ca.com). There is no charge, as this is a ministry.

The budgeting system located on the Excel data file has the following forms.

Form #1: Assets and Liabilities

Form #2: Revenues for a Typical Month

Form #3: Non-monthly Expense Planning

Form #4: Savings Account Allocations

Form #5: Estimated Monthly Budget—Types of Expenses within Each Category

Form #6: Actual Expenses and Revenues

Form #7: Budget Analysis

**Please enter your numbers in yellow highlighted cells in each form.**

#### **Step #1. List Your Assets and Liabilities—Form # 1 (Proverbs 27:23)**

Assess your present financial position by listing your assets and liabilities on Form #1. Be sure to list all debts, as some can be easily missed, such as loans from relatives, overdue property tax, dental bills, and income taxes owing. It is best to face the facts up front, even if it is initially discouraging.

For ease of calculation, I recommend that you round all figures to the nearest dollar.

#### **Step #2. List Your Revenues—Form # 2**

Use Form #2 to summarize your income. Record your salary or wages net of any income tax withholdings. The program should transfer your total revenues to the bottom of Form #5, Estimated Budget, with the objective of calculating your monthly surplus or deficit as discussed below.

#### **Step #3. Plan for Non-monthly Expenses—Form # 3**

Many expenses, such as vacation and insurance, do not arise each month, and thus are frequently missed in the process of developing a monthly budget. As a result, it is important that you set aside the necessary funds throughout the year to ensure that there is sufficient cash available when the expense is incurred. Otherwise, you will be “forced” to take on debt to pay these non-monthly expenses. For example, if you plan to spend \$1,200 on a vacation a year from now, you would be wise to save \$100 per month to ensure that you can pay for your vacation and avoid unnecessary debt.

In addition, there are non-monthly expenses, such as house maintenance and automobile repairs, that must be *estimated* for the year and funds set aside each month. Although it is impossible to project exactly what those will cost in any one year, generally a reasonable estimate can be made and a reasonable amount can be saved each month to provide for these expenses.

Complete Form #3 for these non-monthly / irregular expenses.

#### **Step #4. Transfer Funds from Your Chequing Account into Your Savings Account—Form # 4**

Generally, the amount that needs to be saved each month for non-monthly expenses is significant. Hence, the total amount shown on Form #3 for non-monthly expenses should be transferred into your savings account each month and “earmarked” on Form #4 according to the appropriate expense category. The program will automatically transfer the amounts on Form #3 to Form #4 on the first of the month on the assumption that you have sufficient cash available in your chequing account.

If you do not have sufficient cash in your chequing account, and let's suppose that you are paid twice a month, then you may have to transfer one half of the amounts calculated on form #3 from your chequing account to your savings account each time you receive your paycheck. If this applies, then you could either override the formulas (click on tools-protection-unprotect sheet) and input the exact numbers or change the formulas on Form #4 (i.e. multiply by .5), if you are comfortable with excel.

As non-monthly expenses are incurred, it is appropriate to transfer the necessary funds from your savings account to your chequing account and pay the bills. Reduce the appropriate expense category on Form #4 as funds are withdrawn from your savings account. The program will automatically record the transfer of funds from your savings account to your chequing account on forms #4 and #6 respectively.

The balance shown at the bottom of Form #4 at any time should indicate the portion of your savings account that is “earmarked” for a particular expense category. *The objective is to know what portion of your savings account balance will be needed for anticipated non-monthly expenditures so that you don't inadvertently spend these designated funds.*

The bank balance figure shown on form #4 should agree with your savings account bank balance. If not, then an entry has been missed and it will be necessary to check your work.

#### **Step #5. Estimate Where Your Money Is Currently Being Spent—Form # 5**

The non-monthly expense items calculated on Form #3 should have been transferred automatically to Form #5. Next, estimate your present level of spending in each category that is blank on Form #5. The program should calculate your monthly surplus or deficit at the bottom.

If you have a deficit, then “rework” your budget by reducing your discretionary expenses until your budget balances. If this is not possible, then either increase your income or reduce your fixed expenses until your budget balances. Be sure to spend less than you are earning each month, and use the surplus to pay down debts and save for future needs.

#### **Step #6. Regularly Track Your Expenditures and Revenues—Form # 6**

Many people have a reasonable level of income but, nevertheless, spend more than they earn. In the long run, this gives rise to financial difficulties and conflicts between husband and wife. In my experience, very few people have a clear understanding as to where their money is being spent.

To get control of your finances, it is important to develop and implement a budget. This includes recording all your expenses on Form #6 so that you know where your money is going. Recording your expenses can be simplified if you follow these guidelines:

- Use one joint family chequing account where you receive your cancelled cheques and bank statement each month. Deposit all income into this account and, to the extent practical, pay all expenses from it.
- Set up one joint savings account and earmark its funds as per Form #4.
- Ideally, don't use credit cards, or, if necessary, use only one credit card and pay it in full each month and allocate the various expenses to the appropriate columns on form #6.
- *Take a few minutes each day and record all your expenses on Form #6, whether paid by cheque or cash.* Round all figures to the nearest dollar, and if you forget the exact amount, record your best estimate. If you can track all of your expenses in a month within \$100, then you are doing much better than most people.
- Record transfers to the savings account in the appropriate column and ensure that the transfers to and from the savings account agree with the corresponding transfers on form #4.

### **Step #7. Budget Analysis—Form # 7**

On Form #7, compare your actual expenses to your budget, and assess the reasons for any overruns. Prepare a new budget for next month with appropriate adjustments. A budget will change from time to time. Generally, it takes three to six months to develop and implement a practical budget.

Once your monthly expenditures and revenues are balanced for three to four months, be sure to set some longer-term financial goals (e.g., debt reduction, retirement planning, funding children's education), and adjust your monthly budget to achieve these goals.

### **Starting a New Month**

Once the current month is complete, save the Excel data file and label it for the current month (e.g., "April-2006 budget"). Next, obtain a blank copy of the budgeting template and label it as the current month. Follow the steps outlined above, but note the following changes for the second and subsequent months.

- If the figures have not changed, it can be faster to do a "copy and paste" of certain figures (such as the annual non-monthly expense amounts on form #3) rather than inputting them again. Be careful not to override any formulas.
- Be sure to input the final balances from the previous month on form #4 into the current month's "Balance Fwd - prior month" row so that you have the cumulative totals for your savings account.
- Adjust the estimated budget on Form #5 for the current month to conform with the "new monthly budget" on Form #7 from the prior month.

You can then record your expenses daily on form #6 on the current month's data file.

### **Year to Date Figures**

If desired, you can take a blank copy of the budgeting template, save it as " year to date for 2006" and then enter the total expenses and revenue for the first month on the first line of form #6, total expenses and revenue

for the second month on the second line of form #6 etc. Appropriate amounts could then be entered on forms 2 and 5, however be sure to prorate based upon the number of months that have occurred year to date.

### **Other Points**

Over time, I recommend that you accumulate a “cushion” of cash (of about three to six months’ worth of expenses) above the earmarked savings in your savings account, in order to provide for any unusual financial difficulties, such as one spouse out of work or a large unexpected expense (Proverbs 21:20). Once you have accomplished this, it will not be necessary to prepare Forms #3 and #4 each month. *Since forms #1 and #2 only need to be updated for any changes each month, it will be necessary to prepare only forms #5,6, and 7 each month as long as the appropriate balance in your savings account is maintained.*

Please note that this system could be used to project your new budget if you are considering a major purchase, such as a new house. The objective is to determine whether you can afford it, before you buy it.

### **Conclusion**

The objective of this budgeting system is to provide a simple and organized approach to managing your monthly cash flow. If you feel overwhelmed, may I encourage you to remember that God is all powerful, present everywhere, and all knowing. God can guide you to a place where your finances will be under control and you will be free from “financial anxiety” (John 14:27). Remember, “All things are possible with God” (Mark 10:27).

The instructions above, as well as the Excel based budgeting system, have been prepared by Tom Copland as a ministry to help people manage their finances better. If you have questions or comments please send an e-mail to [thomas@copland-ca.com](mailto:thomas@copland-ca.com) .