

CREATE A ONE-YEAR BUDGET

THE CHALLENGE

This month's challenge is to look ahead at 2021 and create a one-year budget. If you've been following along up until now, you are likely making a brand-new, zero-based budget every month. Now, we are going to widen our lens and look at our entire year. As with all of our budgets, they are designed to serve as a roadmap or guide for your finances, rather than hard and fast rules!

GETTING STARTED

Just like you would with any budget: determine your anticipated income for the next year, and calculate your recurring monthly expenses, including debts. Think about irregular expenses too, like vehicle tag renewal, car maintenance, holidays and birthdays, and doctor and vet appointments. Putting these into a calendar format may be helpful!

You can also use [this budget template](#), created by [One Big Happy Life](#).

This process will sound really similar to your [monthly budgeting process](#). We're widening our lens here and thinking more about our long-term goals, as well as irregular expenses we may not consider in our monthly budgets.

INCOME

You will break down your annual income into monthly income. If you're paid biweekly, use 2 paychecks as your base, then add in additional paychecks based on where they fall on the calendar. If you're paid weekly, use 4 paychecks as your base and add in a fifth where they fall on the calendar.

EXPENSES

Start with your mandatory expenses – housing, utilities, car payments, child care – things that you know you will have to pay. Be sure to include irregular expenses like oil changes and doctor visits. Just like you do with your monthly budget, organize your expenses into categories so it's easier to keep track.

If you have certain expenses that fluctuate (like utilities) you can either estimate each month based on prior years' expenses, use an average, or use the highest anticipated amount. You can do the same with expenses such as groceries and household items. The most accurate way to project these expenses is to look at your spending over the last year!

When doing this category, always err on the side of overestimating instead of underestimating, this way you're more likely to have money left over.

CREATE A ONE-YEAR BUDGET

SURPLUS

Ideally, once you figure out your mandatory expenses for the year, you have some money left over every month! It's important we don't leave our budget like this; remember that every dollar needs a job! Start with your financial goals. Are you...

- Paying off debt?
- Saving up for a big purchase, such as a car or house?
- Planning a trip?
- Building up your savings?

Use your surplus to put aside money every month that goes towards those goals.

From there, you can add in your "lifestyle" expenses. These are the things you can take or leave – like ordering takeout, buying new clothes, or going on an Amazon shopping spree. It's not that these expenses aren't important – they are! We budget for lifestyle expenses after our goals so that we can see those expenses in a bigger context. \$15 for lunch delivery may not seem like much in the short-term, but if we see how it gradually chips away at our larger goals, we might find ourselves making different decisions.

THE GOAL

Again, think of your one-year budget as a roadmap, not strict rules! Use your spending trackers from the past year to understand where you're spending money, and what money habits you want to build or break this upcoming year.

The Money 2020 series ends with us looking forward to 2021. You now have the tools to take control of your finances and achieve your goals! All of the previous topics from this series are available to download at gatorcare.org/money-2020.