

Guide to Budgeting on a Fixed Income

If you always ask “where is all my money going?” this step-by-step guide to creating a budget can help!

Creating and maintaining a budget is a valuable and empowering tool. Set yourself up to maintain independence by managing your money well. Then spend with confidence and save with ease.

Step one: Identify your income

Income comes from several different sources. Obvious sources of income are your salary or social security benefit. Additional income sources include pensions, annuities, babysitting jobs, and SNAP benefits. All sources of income must be listed in your budget. Don't forget to include irregular income from side jobs.

Step two: Identify expenses

The CJE SeniorLife budgeting tool lists many of your expenses. It is important to be as specific as possible here. Some expenses are easy to remember, food, housing, and medications. But, if you meet your friends for coffee every morning that must be included. Debt repayment, gym memberships, magazine or newspaper subscriptions, and gifts are all important expenses to list.

Accuracy is essential when it comes to expenses. There are different ways to track expenses. You can keep receipts from every transaction for the month in an envelope and review at the end of the month. You can use a debit card for all purchases in the month and just keep copies of all other monthly bills. There are several useful online budgeting tools that you can use by linking your accounts to show your expenses. Some people prefer pen and paper because it is easy to use and safe from online predators.

Expenses can be divided into tiers to identify those things that are absolutely essential and those that perhaps can be reduced or removed the budget if necessary. Tier 1 expenses include shelter, food, medication, and utilities. While there may be ways to reduce these expenses, these are the items that must be paid first each month.

Tier two expenses are those things that can be reduced or eliminated from your spending, if needed. These items can also be enjoyed once the emergency fund has a sufficient amount, generally a few months of expenses saved.

Step three: Do the math

Use the budget tool to list your average monthly income. Subtract your average monthly expenses. If this number is negative, you need to increase income or decrease expenses. If this number is positive, start thinking of ways to build an emergency fund.

Step four: Manage excess

Congratulations, after all your expenses you have money left over! Part of your budget will be planning for emergencies, saving for a new car or vacation, or donations. Every dollar should be accounted for. Once expenses are covered, make a list of categories for saving and increase debt repayment. Dedicate a certain portion of the savings to each category. For example, you might have savings categories for a new car, home repairs, or holiday gifts. After your savings and additional debt repayment, your budget should have a \$0 balance.

Step four (alternative): Manage a shortfall

Recognizing that there is not enough income to cover your needs is an important discovery. How can you increase your income? How can you decrease your expenses? Are you spending on items that are not essential or can be purchased for less money? Are you eligible for additional resources such as SNAP benefits? Are there other members of your household, such as adult children, who could be contributing more financially? Keep in mind that Tier 1 must be the top priorities for payments each month, followed by Tier 2.

Tips to decrease spending:

Reduce utility costs by lowering the temperature in the winter and raising it in the summer. Unplugging appliances when they are not in use also helps lower costs.

Do you pay for memberships that you don't use? Do you pay ATM fees or check cashing fees? Consider a no fee bank account. Think about your purchases. Are they wants or needs? If they are wants, consider holding off until you see if you have extra money to spend this month. If it is a need, did you get it for the best price? Small changes in shopping habits can really add up.

Step five: Maintain the budget each month

Now that you have created the budget, it's time to follow through and keep it going. Maintaining a budget is challenging at first but, like most things, easier the more you do it. Remember, since all your money is accounted for in your budget, if you spend extra in one category you must reduce spending in another. One way to track this is by using cash. Place the budgeted amount for each section in a labeled envelope. When you do your shopping, take the envelopes you need and only spend what you have.

Financial planning for an emergency is a crucial step in order to maintain a budget in the long run. Emergencies will happen. Medical expenses, home or car repairs, job changes and more can ruin a budget. If you are careful to set aside money into an emergency fund, you will be more likely to stay on track in the event of an emergency.

Plan ahead for special events like holiday presents. Decide if you will set aside money every month into this category or reduce spending on non-essential items (like eating out) in the months immediately before.

Step six: Prepare for change

Change happens, sometimes when we least expect it. With a little preparation, weathering a job loss, transition to fixed income, illness or other change can go smoothly. First, if you are maintaining a budget, what are items that you can skip for a month or two? Are you supporting other family members? Buying lots of gifts? Eating out?

Second, how much of an emergency fund do you have? How can you make it last the longest?

Third, keep track of important paperwork. Are you eligible for additional benefits due to loss of income? Unemployment? SNAP?

Finally, fill out your budget tool once again to get a picture of what you have and what you can spend.

BUDGET TOOL

Creating an useful budget requires significant attention to detail. It can be challenging to accurately account for all sources of income and expenses. The following two worksheets will help you document them for the next three months. Fill in details below to create your personal budget. To get an accurate accounting, use this budget tool to examine your expenses for three months in a row, then reevaluate any time you have a change in circumstances.

Income Sources

What are all of the sources of income for your household? Do you receive a pension, social security, rent from a two flat? All regular and irregular monthly income should be listed here.

Income	Month:	Month:	Month:	Total
Salary				
Spouse/partner salary				
Social security				
SSDI				
AABD*				
SNAP				
Pension				
Annuity				
IRA distribution				
Irregular income (ex. babysitting)				
Income from family				
Other				
Other				

* AABD small check, DHS cash assistance

Add column on right and enter Total

Divide Total by 3 ÷ 3

Average Monthly Income

Budget

Enter Average Monthly Income from the chart above

Enter Average Monthly Expenses from the chart on other page -

Subtract Expenses from Income and enter balance =

Continue



THE CJE ADVANTAGE: Since 1972, CJE SeniorLife has been a central resource and champion for older adults and their families by providing community-based and residential care options. We provide solutions that enhance their quality of life while honoring their unique healthcare, lifestyle and socio-economic needs.

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Expenses: Use the list in this chart to get started. See guide for ways to track expenses.

Expense	Month:	Month:	Month:	Total
Tier 1				
Rent/Mortgage				
Taxes and Insurance				
Food				
Medical ¹				
Medical insurance				
Phone				
Gas				
Electric				
Water				
Transportation ²				
Laundry				
Tier 2				
TV subscriptions				
Pets				
Credit Card debt payment				
Eating out				
Gifts				
Personal care				
Clothing				
Hobbies				
Memberships				
Subscriptions				
Lawn Care				
Snow Removal				
Cleaning Help				
Payments to family				
Savings				
Emergency Fund				
Car				
Vacation				
Home Updates				

¹ medication, medical supplies, copays

² car payment, insurance, and gas, CTA/Metra card

Add column on right and enter Total

Divide Total by 3

÷ 3

Average Monthly Expenses