



This budgeting method (*The REB*, for short) is ideal for families that want to maintain or get a handle on their finances without having to stress about estimated income, envelope methods, tracking every dollar, etc. This is not an original concept but the specific steps and guidelines I provide in this document are. So, relax, it's tested and approved!

"The plans of the diligent lead to profit as surely as haste leads to poverty." — PROVERBS 21:5

The OBJECTIVE: Develop financial disciplines that will stick over time, without relying on a strict, written budget.

The KEY: Have a spending cap for every category and stick to it. Focus on one to two categories at a time; improve weekly, check-in quarterly.

The CHALLENGE: The REB is not your traditional budgeting method. For some, it will take time (months) to accommodate but that's part of the improvement process.

The EDGE: This budgeting method has worked out much better for our family because it gave us time to develop healthy financial habits, starting from where we were at, not from an idealistic goal on paper.

The REB helps debunk all three of these common budgeting myths:

MYTH 1: High Income vs. Low Income - *"I don't make enough money, that's my problem."*

Money doesn't solve problems, people do. Having more income does help alleviate worry, but it does not automatically change behavior. Our family is in a better spot financially than we were a few years ago. The REB helped us develop disciplines with our money when we were making less of it. As our income increased, they stuck. Learn to manage \$100 before managing \$1,000.

MYTH 2: Fixed vs. Variable Income - *"My income changes month to month, so I can't budget."*

This is a sign of old-budget thinking. With the REB, you start where you are and with what you make. In the past, we were on a variable income for about two years. We adjusted our spending caps for each category (food, transportation, etc.), made improvements that stuck and then re-adjusted when our income changed. If you always maintain this excuse, you will not progress.

MYTH 3: Spender vs. Saver - *"My spouse and I are not financially compatible, so we can't budget."*

The REB method will help the two of you come into alignment because it doesn't force you to save or spend based on a budget or income but to adjust based on real activity. If you choose to let a label (*saver, spender, etc.*) define your habits, you will never improve your finances.

Step 1

DOWNLOAD & REVIEW 3 MONTHS OF LATEST BANK STATEMENTS

- A.** I log on to my bank account online and download an Excel file of my statement for the last 3 months. I then create a CREDIT and DEBIT column and total up each.



- B.** Next, I apply a filter to the *description/type* column (yours might be named differently depending on your bank) and *Sort A to Z*; this groups everything by category or merchant.

C	D	E
Account Type	Description	Amount
20 Checking	CVS/PHARMACY #08 0ROCHESTER PHA	-1.
20 Checking	CVS/PHARMACY #0807ROCHESTER M	-22.
20 Checking	CVS/PHARMACY #0807ROCHESTER M	-9.
20 Checking	CVS/PHARMACY #0807ROCHESTER M	-6.
20 Checking	CVS/PHARMACY #0807ROCHESTER M	-18.
20 Checking	DDA DEBIT	-1

NOTE: Be sure to review all the debits for each category (by type/merchant); if you buy groceries from different stores, for example, or put gas at different gas stations (common), they will not be grouped together one after the other, unless they start with the same letter.

- C.** Review each category and make a note of anything that stands out and/or the categories in which you significantly exceeded the spending cap.

Don't overdo it, just grab a paper and pen and jot down all your categories on the left side, top to bottom. Then, make a column for *SPENT* (round up) and another for *ADJUST*. This column will be used for Step 2. (The sample to the right is not an exhaustive list and only a sample.)

<u>Category</u>	<u>Spent</u>	<u>Adjust</u>
Grocery	\$520	\$450
Transportation	135	N/A
Housing	1700	N/A
Health	180	120

NOTE: There may be some categories that you choose not to adjust; spending can't/won't change for various reasons, for example, in the case of housing where the monthly amount you must pay (i.e., mortgage) remains the same.

Step 2 ADJUST SPENDING FOR APPROXIMATELY 3 MONTHS

This is where discipline kicks in! The good part is, you already have an idea of what your current spending pattern is and what you need to do to make positive changes. Next...

- A.** Pick just **one or two categories** to focus on. For example, our biggest spending culprit is eating out (Oh, you too?). If we *spent*, let us say, \$900 on restaurants over the last 3 months, we will *adjust* to \$600 over the next 3 months.
- B.** **Make one change each week** in those categories. In our case, it might mean adjusting our dining out or carry out trips from 6 times per week to 3 times per week.
- C.** Set a **base and bonus goal** at your 3-month check-in. These are the maximum amounts you are going to spend. For example, your base goal for dining out might be \$200 for the month and your bonus goal \$100. I call it 'bonus' goal because you can use the savings incurred from this category elsewhere or...save it!

Hybrid approach: Okay, this may sound like I'm giving in but for those of you who are absolutely tied to your cash envelopes, go ahead and use them as you're getting accustomed to this new method. Also, your numbers are your numbers. The examples given may not reflect reality. The benefit with this method is you start from where you're at and with what you have.

Step 3 CHECK-IN AFTER 3 MONTHS (THEN REPEAT FROM STEP 1)

Now that you've made some spending adjustments and/or developed new habits, re-evaluate your numbers. Start with the categories that you focused on.

Repeat the process from **Step 1C**, making a note of any decreases/increases from the previous review. Keep adjusting and repeating the cycle until you go through all the (applicable) categories. With time, you should see improvements and develop habits that stick. Nice job!

<u>Category</u>	<u>Spent</u>	<u>Adjust</u>
Grocery	\$480 ^{-\$40}	\$450
Transportation	135	N/A
Housing	1700	N/A
Health	130 ⁻⁵⁰	120