

RealMoneyPlan User Guide



RealMoneyPlan Personal Financial Plan Templates

Easy Budget

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INTRODUCTION

Introduction

This User Guide is specifically for the **RealMoneyPlan Easy Budget**. User Guides for the **RealMoneyPlan Financial Plans** are available free at RealMoneyPlan.com.

RealMoneyPlan Easy Budget

RealMoneyPlan Easy Budget is a very easy to use spreadsheet templates for budgeting your monthly income, expense, savings and cash flow over the year. You can quickly create your plan and then throughout the year update it and track your actual activities against your plan.

RealMoneyPlan Financial Plans

RealMoneyPlan Financial Plans (available at RealMoneyPlan.com) are easy to use yet flexible and powerful spreadsheet templates for:

- Developing a real view of your “**annual finances**” for the current/upcoming year including income, expense, cash flow, savings, investments, assets, liabilities, and net worth, and,
- Developing one or more scenarios of your “**lifelong finances**” that realistically reflects the financial implications of life phases and events such as marrying, moving, raising children, saving, and retiring.

RealMoneyPlan personal financial plans are suitable for individuals, couples, families, the young or old, the rich or poor, and for anyone planning for or in retirement. You may use only some of the included features for simplicity, or all the features if a higher level of detail and accuracy is desired. The spreadsheet templates are flexible and can easily be modified.

RealMoneyPlan Financial Plan Editions

There are three editions of RealMoneyPlan personal financial plan templates:

- **Singles Edition:** Provides an easy to use yet detailed financial plan. Suitable for singles or single parent families. Uses an easy approach to estimating future income tax.
- **Family Edition:** Provides an easy to use yet detailed financial plan like the Singles edition but is expanded to be suitable for couples or two-parent families.
- **Expert Edition:** Provides a more detailed and accurate financial plan but is not as easy to use. Suitable for those that want more flexibility and have a good understanding of finances and taxes or have a desire to learn. Has options for detailed tax calculations.

GETTING READY

Getting Ready

Download, unzip, and backup the files

If you have not already done so, browse to the RealMoneyPlan.com website and order your free copy of the RealMoneyPlan Easy Budget spreadsheet template. Immediately following your free order, you can download a zip file containing the spreadsheet template and this user guide. Unzip the downloaded file with Windows or any unzip app or program.

Important - first create a backup copy of the original unmodified template file and save it.

The spreadsheet file can be opened with Microsoft Excel or any spreadsheet program compatible with Microsoft Excel .xlsx files. Old versions of Excel (that use .xls files) can also open this file if you download and install a free compatibility add-on from Microsoft. This user guide can be opened with any PDF reader program or any web browser.

Familiarize yourself with the template

You are probably anxious to start editing the template and you may do so if it all looks straight forward to you. However, it is recommended to first read this guide and become familiar with how to use the template effectively.

The RealMoneyPlan Easy Budget spreadsheet workbook contains two worksheets. You can select between worksheets by clicking on the tabs at the lower left of the workbook window.

There is worksheet titled Easy Budget – Example that is filled out with data to provide a realistic example for your reference. This example worksheet set is provided for your reference and not for editing therefore this worksheet is by default protected from editing.

The other worksheet titled Easy Budget – Template does not have any data within it yet and is the worksheet you will work with to create your budget plan. You may rename these tabs if desired. The graph within the worksheet will update when data is added in the worksheet.

Also note the different color of amounts in different cells. Generally, black amounts are planned amounts, green are actual amounts, red are estimates that need updating later, and fuchsia (pink) color indicates a cell where the data or formula has changed. Bold amounts mean they are calculated, not entered. Cells with background color are part of the template and are not intended for entering data.

GETTING READY

Set a scope for your budget plan

Decide the scope of your budget plan – is it for you personally, for your family, or for your household including supported relatives? Do you have children in college or university that should be included, or not? Different people take different perspectives – for example some couples prefer to keep their finances separate while others operate as a combined household. Don't worry you can change your mind later and adjust your plan accordingly.

Collect your financial information

To get started you are going to need to collect some information about your finances. This information, which for most people will be in various files in your filing cabinet, is what will make your plan accurate, realistic, and personalized. Don't worry, you can just start with estimates, or even guesses, and then refine it later. In fact, estimating and then refining in iterations is the recommended best approach.

Collect or estimate the following for the current year: income, expense, deposits and withdrawals to or from savings accounts and investments.

The expense part can be determined in one of two ways. The first way is you can add up all expense items you can think of. The flaw with this approach is that the result will likely miss a lot of stuff that didn't come to mind. The other way, which I recommend, is to work backwards and determine your total expenses from the difference between your available income (income available to spend after all taxes and deductions) and what you were left with at the end of the year. Then you can take that number and divide it up between different types of expenses, transfers to/from accounts and so forth. Initially the expense breakdown detail does not really matter, it only matters later when trying to understand and optimize your expenses.

Become familiar with spreadsheet basics

RealMoneyPlan templates are designed so that you only need to be familiar with the basics of using spreadsheets to work with them – there is no fancy stuff. If you don't yet have the basics, then we recommend a short free tutorial from Microsoft which can be found at:

[Microsoft Excel Tutorial](#)

PREPARING YOUR EASY BUDGET PLAN

Preparing your Easy Budget Plan

OK, let's get started! First, if you have not already done so, make a backup copy of your file.

Open the RealMoneyPlan file and then open the tab "Easy Budget – Template". Note: If you wish you can change the name of the tab, for example to "My 2021 Budget", by simply double clicking on the tab name and editing it.

Remember that as you proceed only enter amounts in the areas of the spreadsheet intended for editing, not in the bolded cells that contain formulas that are part of the template. Remember to save often and use the "Save As" function to make new versions so you always have a recent backup version to go back to if you should make a mistake not easily undone.

Income

First you should enter your income as follows. If you should make a mistake don't worry, just use the "Undo" function to undo changes and try again.

On the page 1 in the section titled Income enter your (and your spouse's if applicable) income for each month of the year. Enter the net amount after taxes and all other deductions. For employment income enter your paycheck amount. Enter any other income (after tax withheld) such as business income and employer or government pension.

In the section title From Retirement Plans enter the after-tax net amounts of withdrawals from Retirement Plan savings.

All of your income is added up and is shown at the bottom of the Income section on the line Total Income. This is the income available to spend on expenses and other things.

Expense

Next enter your expenses in the Expense section of page 1 as follows.

Start with your total expense amount and break it down and spread it over the major expense areas applicable to you such that the total amount appears in the Total Expense line on the bottom of page 1. Add or change the names of items or categories as you may need.

Initially the breakdown is not critical - it only becomes important later when you want to fully understand and adjust your spending habits. Analyzing and optimizing your expenses is an exercise best left for later.

PREPARING YOUR EASY BUDGET PLAN

Savings

Note the Available Savings section at the top of page 2. Quite simply, income minus expense gives you your savings after expense available for purchasing assets, paying down liabilities or transferring to different types of savings accounts or investments.

The month-by-month available savings represents the amount you may transfer in the Transfers section below. If you have months where the available savings are negative, that means you will need to withdraw money in the Transfers section to satisfy the expenses. You will see how that works in the next section, its easy.

Budgeted Cash Flow

Before entering any transfer amounts in the Transfer section, first go to the Budgeted Cash Flow section in the middle of page 2 and enter in cell U35 (January Start Balance) the total of the balances of your banking accounts (and any significant available cash) at the start of the year. This sets the amount of money you have on hand at the start of the year and is used to calculate the running balance or float for subsequent months. Ideally you will want to always maintain a balance or float at some level, typically a few thousand dollars. Too low and you risk bank account overdraft with expense swings, too high and you may not be getting much return (interest) on the money sitting there.

Now take note of the Budgeted Cash Flow section monthly End Balance amounts. These End Balance amounts indicate if you can transfer money into accounts or must transfer money out of accounts in the Transfers section. Again, ideally you want to maintain budgeted monthly balances (banking account minimum balances) throughout the year.

Transfers

Now with the benefit of the budgeted month end balance amounts you can now enter all transfers (deposits and withdrawals) to or from your various forms of assets and liabilities. For example, putting some money aside into a savings account is a transfer to the savings account. Assets and liabilities have lasting positive or negative financial value affecting your net worth, whereas expenses do not. Technically it would not be correct to put large expenses or non-regular expenses in the Transfers section, but you may if it makes your budget clearer.

Review the list of assets and liabilities in the plan template and consider all that are applicable to you. You may add or delete line items in the Transfer section as needed.

PREPARING YOUR EASY BUDGET PLAN

Actual Cash Flow

As discussed earlier your budgeted cash flow is the cash assets you have at the start of the year, plus your budgeted savings after expense, less your planned transfers to or from assets or liabilities. This Budgeted Cash Flow is calculated for you month over month ending in a year-end balance.

The Actual Cash Flow section (just below the Budgeted Cash Flow section) is where you enter the actual amounts of your checking account balances at the end of each month as the year progresses. Actual Cash Flow represents historical reality whereas the budgeted amounts are a forward-looking plan.

Here is where everything needs to add up. The difference between the budgeted cash flow and the actual cash flow is the tracking figure. The tracking figure should ideally be relatively small to indicate that the budgeted and actual amounts are tracking reasonably close – how close is up to you. A large tracking figure indicates that some adjustment is needed to the budgeted amounts to better track to the actual amounts, or that there are some errors or omissions with the actual amounts.

The Month End Balances chart shows the tracking of the budgeted cash to the actual cash. It is recommended (not cheating) to go back and adjust either past or future amounts and to iterate this process as much as you need. You will likely want to budget to have a reasonable cash asset balance (banking accounts minimum balance) throughout the year.

It is a good idea to study your cash flow to understand how much is coming in, going out and being retained. You need to know this because it is fundamental to good budgeting.

You can go back and make whatever changes to your Easy Budget Plan you feel are needed. Iterate as much as you need. Use notes liberally as you need.

It is a good time to review and refine your expenses, taking note of where you may wish to spend less and where to spend more. It is also a good time to consider if you want to optimize transfers to and from your assets and liabilities, for example, paying down liabilities as much as is reasonable, or saving more for the future using retirement plans or tax-free savings plans.

Congratulations - you have now completed the first iteration of your Easy Budget Plan!

MAINTAINING YOUR PLAN

Maintaining your Plan

Updating throughout the Year

You should revisit your Annual Plan to revise the planned amounts into actual amounts at least once per month. Updating it more often such as whenever you receive a credit card or bank account statement can make updating easy and satisfying.

It is recommended that you use a different color for actual amounts (green) to differentiate them from planned amounts (black). You may use other colors for other purposes such as red for estimated amounts that you know will need to be revisited and adjusted.

Updating from Year to Year

As one year moves to the next you will need to update your budget plan to transition to the new year. Updating your existing plan is much easier than starting again and preparing a new plan.

First save your current plan file to a new file with a new name that includes the new year and version. Use the new file going forward and keep the old one. Remember to “Save As” or “Save” often.

Here are the recommended steps for updating your Budget Plan from one year to the next.

- 1) Copy your current year Easy Budget tab to a new tab with a new name with the new year. There is no need to delete your old Easy Budget tab. It is best to keep it for reference.
- 2) Set the January Start Balance of the new year Budget Plan to be the same as the December End Balance of the prior year Budget Plan.
- 3) Edit your new Budget Plan changing last year actual amounts to new year planned amounts. Starting with last year actual amounts is easier than starting with a blank plan.

Upgrading to a RealMoneyPlan Financial Plan

If all you need is an easy budget plan, then RealMoneyPlan Easy Budget is a great tool. However, to manage your finances you should consider upgrading to a RealMoneyPlan personal financial plan template. Details are available at RealMoneyPlan.com.