

Zero-Based Budgeting Examples To Improve Your Financial Situation

Zero-based budgeting is a method that involves assigning all of your income to expenses, savings, and debt payments. The goal is simply this: $\text{Income} - \text{Expenses} = \text{Zero}$. With zero-based budgeting, you are keenly aware of how much money flows in and out, which prevents you from spending what you don't have and helps you properly allocate any excess income. Following are some basic tenets of the system and some zero-based budgeting examples to guide you through the process.

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Zero-based budgeting in action

The beauty of zero-based budgeting is that it's fully customizable. You can repeat expense categories and amounts every month or mix it up. If you come in under budget in a certain category at the end of the month, add the remaining amount to next month's budget or move it to another category, such as your emergency fund.

When building a zero-based budget, start with your income side of the equation. List all of your sources of income for the month and write that number at the top of the page. This is the amount of money you have to put toward expenses. Nothing more, nothing less.

Next, list all of your necessary expenses, including things like mortgage/rent, utilities, food, and transportation.

You definitely want to make sure you have enough in your budget for these "four walls," or basic living expenses. Remember the 50/30/20 rule: 50 percent of your income goes to needs, 30 percent to wants, and 20 percent toward debt repayment and savings.

Lastly, you will list out other standard monthly expenses like the cable bill, debt payments, internet, or other expenses that recur each month.

Zero-based budgeting examples for individuals

Let's say you make \$3,000 per month. Your budget might look like this:

Monthly Income:

- \$3,000

Monthly Expenses:

- Rent – \$1,000
- Utilities (Electricity, Internet, Streaming, etc.) – \$300
- Groceries – \$300
- Insurance – \$150
- Gas – \$75
- Eating out – \$100
- Clothing – \$50
- Entertainment – \$100
- Savings – \$100
- Credit card payments – \$200

- Student loan payments – \$225
- Cellphone – \$50
- Gym membership – \$25
- Car – \$325

Total Expenses:

- \$3,000

Amount Left:

- \$0

There's no "miscellaneous" category. There's no money set aside for "just in case," because you've already planned where every cent is going. Even if it's going to savings, it's going somewhere.

Zero-based budgeting examples for families

Monthly Income:

- \$6,000

Monthly Expenses:

- Mortgage/Rent – \$2,250
- Utilities (Electricity, Internet, Streaming, etc.) – \$550
- Groceries – \$500
- Gas – \$150
- Car – \$750
- Home Security – \$75
- Child Care – \$500
- Gym membership – \$50
- Insurance – \$300
- Savings – \$250
- Credit card payments – \$325
- Cellphone – \$100
- Entertainment – \$200

Total Expenses:

- \$6,000

Amount Left:

- \$0

All that's left now is for you to track your expenses throughout the month. It's the only way you'll know if your spending lines up with your plan. When you track your expenses and are intentional with your money, you'll actually be able to make progress and see that you're reaching your goals.

If you're spending more than you make, trim up the budget so your income and expenses equal zero.

If you fill out every line item in your budget and come out \$100 ahead, you haven't finished your budget yet! You must give that remaining \$100

to something. If you're still in debt, spend that extra cash there. Saving up for a big expense? Allocate that money to your savings.

Learn to budget like the experts

Zero-based budgeting keeps you aware of how much money flows in and out. This can prevent you from spending what you don't have. It's the best way to make sure you are telling every dollar where it needs to go each month. For more information on how PlainsCapital Bank can help you [budget and improve your financial situation](#), speak with a PlainsCapital Bank representative at 866.303.0557.