

# Five different budgeting methods

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Every person and household is different – some budgets may work better for certain people or certain financial situations. Learn more about different types of personal budgeting methods below and see if one (or a combination) might be suitable for you.

## The envelope system

### How it works:

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- Make a list of expenses and create envelopes for each spending category in your budget
- At the beginning of each month, plan out how much you will spend in each category
- Stop using credit cards and fill each envelope with the cash that you expect to spend for that month
- When you pay for something, you only use money from the envelope assigned to that category

### This might be good for you if:

- You sometimes find it hard to control and monitor your spending
- You do not want to share your financial data or are not yet comfortable with technology

## Zero-based budget

### How it works:

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- Make a list of your monthly income and expenses
- Figure out how much to set aside for savings and debt repayment
- Subtract expenses from income and adjust your budget until it “zeros out”
  - *If you have a negative balance*, you need to decrease your expenses – start with non-essential items and things that are not as important to you
  - *If you have a positive balance*, you can increase your expenses by savings and debt reduction goals

### This might be good for you if:

- You have a set income each month and tend to have a bit of money left over
- You are an experienced budgeter who has already been managing your finances for a while

## Value-based budget

### How it works:

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- Reflect and write down what you value and what your spending priorities are
- Track your expenses and assign each with a value
- Think about whether there are less expensive alternatives to each expense that will still meet your values and needs

### This might be good for you if:

- You are clear on what you want to accomplish with your money
- You want to spend your money in ways that are meaningful and important to you
- You are trying to get out of debt and stop over-spending – analyzing each expense will force you to reflect on your purchases and think of opportunities to save

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## Reverse budget (aka Pay yourself first budget)

### How it works:

- Identify your top financial goals (e.g. paying down credit card debt, saving for retirement)
- Set aside money to pay towards those goals first – you can set up automatic bill payments or an automatic transfer to a savings account after each payday

### This might be good for you if:

- You are trying to pay off debt – this method forces you to prioritize debt repayment
- You want to increase your savings or build an emergency fund

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## Cashflow budget

### How it works:

- Track everything you earn and spend money on every week for one month
- Decide on a timeline for your budget – some people budget for at least six months to a year, especially if you have irregular income and expenses throughout the entire year
- Note all of your income and expenses, making sure to track both the amounts and when it is expected to happen
- Calculate your monthly net cash flow (monthly income minus monthly expenses)
- For a more detailed guide, see *Cashflow budget template*

### This might be good for you if:

- You have a fluctuating income, such as from freelance or seasonal work
- You have a tight budget and have trouble planning ahead to pay bills on time