



THE BUDGET BY PAYCHECK® METHOD

A step-by-step system for taking control of your money one paycheck at a time.



WHAT IS THE BBP[®] METHOD?

When most people think of budgeting, they think of writing numbers on a piece of paper. That's not what the Budget by Paycheck Method is.

Creating a realistic budget is the **outcome, not the starting point**. This method is a **step-by-step system** designed to help you understand, organize, and visually see your money so you can **build a strong financial foundation first**.

From there, you create a budget that actually fits your life, your pay schedule, and your priorities, instead of forcing your life to fit a monthly template.

1

DISCOVER YOUR “WHY”

This is where the method starts. If your budget doesn't have a WHY, it won't last when life gets hard.
You can't skip this step!

FINISH THIS SENTENCE:

“I want to get better with money because...”

ASK YOURSELF:

Why does this matter?

Who does this impact?

What am I trying to protect or create?

MAKE IT VISUAL AND SPECIFIC:

Picture the life this WHY supports.

SAY IT OUT LOUD:

If it doesn't make you feel something, you need to dig a lot deeper.

PUT IT SOMEWHERE YOU'LL SEE IT:

Your WHY should show up when motivation disappears.

YOUR WHY CAN CHANGE AS YOUR LIFE CHANGES!

“WHY” EXAMPLES

Real reasons people stick with this method:

To be present with my kids without constantly worrying about money.

To enjoy life and experiences without relying on credit cards.

Being able to handle emergencies without panic.

To break the cycle of living paycheck to paycheck.

To create stability so I can focus on what actually matters.

MY WHY

To live life and seize opportunities with my family without relying on debt.

2

TRACK & CATEGORIZE YOUR SPENDING

Before you can create a realistic budget, you have to know where your money is actually going. This step is about awareness, not restriction or guilt.

CHOOSE YOUR TRACKING METHOD TO GET STARTED



The long way by tracking every expense for one to two full months for the most accurate picture



The fast way by printing the last few months of bank statements and working from those

USE THE HIGHLIGHTER METHOD

Assign each category a color and highlight every transaction, line by line.



Pink for clothing



Green for food



Yellow for gas



Blue for entertainment

ADD UP EACH COLOR

This shows exactly how much you're spending in each area.

THIS GIVES YOU A VISUAL SNAPSHOT OF EXACTLY HOW MUCH YOU'RE SPENDING IN EACH CATEGORY, AND WHERE YOU MIGHT NEED TO MAKE CHANGES.

THE HIGHLIGHTER METHOD

(& HOW TO USE IT)

This happens after you track your spending for a few months or use bank and credit card statements for the last one to two months.

CHOOSE YOUR CATEGORIES FIRST

Examples: food, gas, clothing, entertainment, household, personal spending. Keep it simple. You can refine later.

ASSIGN EACH CATEGORY A COLOR

Each category gets one highlighter color.

GO LINE BY LINE

Highlight every single transaction. No skipping. No guessing.

ADD UP EACH COLOR

Total the amount spent in each category. This shows where your money is actually going.

LOOK AT THE RESULTS HONESTLY

You're not judging. You're observing. This is data, not a moral scorecard.

SEEING YOUR SPENDING IN COLOR MAKES PATTERNS OBVIOUS AND REMOVES THE GUESSWORK.

TRACK & CATEGORIZE YOUR SPENDING

(WHAT IT LOOKS LIKE)



3

IDENTIFY YOUR REGULAR BILLS

When you know your regular bills, you understand what it truly costs to live your life and can create a bare-bones budget if needed.

LIST EVERY RECURRING BILL

Rent or mortgage, utilities, internet, cell phone, insurance, childcare, subscriptions, and debt payments, anything that repeats.

WRITE DOWN THE AMOUNT AND DUE DATE

Keep everything in one place so you can plan paycheck timing later in the method.

TOTAL YOUR REGULAR BILLS

This shows how much of your income is already committed each month.

IDENTIFY YOUR MUST-HAVES

These are your essentials! The bills that would stay if you had to strip your budget down.

A BARE-BONES BUDGET ISN'T SOMETHING TO FEAR. IT'S A SAFETY NET THAT GIVES YOU CLARITY, CONFIDENCE, AND PEACE OF MIND WHEN LIFE HAPPENS.

4

IDENTIFY VARIABLE EXPENSES & SET UP CASH ENVELOPES

Variable expenses change every month and are usually where overspending happens. This is where the cash envelope system comes in.

LIST YOUR VARIABLE CATEGORIES

Common ones include groceries, eating out, gas, clothing, household items, and personal spending.

USE YOUR HIGHLIGHTED EXPENSES FROM STEP 2

Use what you found in Step Two. Variable categories are the ones with the most fluctuation.

IDENTIFY PROBLEM AREAS

Pay attention to categories where you feel surprised by the total or tend to overspend.

Essential expenses can still be variable. Food is one of the most common examples.

THE CASH ENVELOPE METHOD

Cash envelopes are a tool used to manage **variable spending only**. They are not meant for fixed bills or automatic expenses.

This system works best when you **start small**. You do not need an envelope for every category.

Begin with one or two areas where you consistently overspend or struggle to stay within your limits. Common examples include groceries, eating out, or personal spending.

Each envelope is given a set spending amount for the month. You withdraw that amount in cash and use only what is inside. When the cash is gone, it is gone.

This is about creating real time awareness around your spending.

THE CASH ENVELOPE METHOD



CAN YOU STILL USE THIS METHOD WITHOUT CASH?

Yes. You can use the Budget By Paycheck® Method even if you don't use physical cash for envelopes.

The power of the envelope system isn't about the cash itself. It's about giving **every dollar a purpose**, watching your spending in **real time**, understanding the **consequences of your spending**.

Just like a cash envelope, you can use a cashless envelope as well. I call these **spending trackers**.

Instead of using physical cash, you track what you spend and how much you have left in each category on a tracker, similar to a notecard.

This keeps you aware in real time and ensures you always know how much you have left to spend in each category.

THE CASHLESS METHOD



5

THE BUDGET CALENDAR

This is the one step I never skip. I created the Budget Calendar when I was getting paid twice a month and needed a way to clearly see which bills were covered by each paycheck.

What started as a simple tool became a visual, organized way to map out my entire month, and it changed everything

The Budget Calendar is not just about bills. It is about **budgeting for real life**. Holidays, birthdays, travel, school events, appointments, and anything else that costs money goes on the calendar. This step helps you see what needs to be planned for before you even start creating your budget.

It becomes your roadmap for what needs to be included in your budget so nothing is forgotten and surprises are reduced.

THE BUDGET CALENDAR

(THE STEPS)

Start with a blank monthly calendar

Use paper, a planner, or your Budget by Paycheck Workbook. Digital works too as long as you can see

Start with a blank monthly calendar

Knowing when money comes in is the foundation for everything else

Add all regular bills with due dates

Include rent or mortgage, utilities, insurance, childcare, subscriptions, and minimum debt

Add real life expenses

Holidays, events, reminders, appointments, and anything else that will require money.

Assign each expense to a paycheck

This shows which bills and expenses need to be covered by each paycheck.

THE BUDGET CALENDAR


NOVEMBER


Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					PAY DAY RENT (850)	
		3	4	5	6 AFB (123) No Spend	7 Hulu (14) SPOTIFY (11) No Spend
	No Spend		WAX & LASH			
10	11 AF SAVINGS (50) No Spend	12	13 No Spend 	14	15 AF SAVINGS (100)	16 AVISTA (100) DENTAL INS (55)
COSTA RICA 						
17	18 No Spend LASHES	19	20 CAR WASH (2)	21 NETFLIX (12) No Spend	22	23 LIFE INS (9)
24	25 DAYCARE (100) CAR INS (117) AF SAVINGS (50) No Spend	26 Gym (43)	27 No Spend	28 COMCAST (143) 	29  BLACK FRIDAY	30 MED INS (528)
		Goals this month: ✓ ADD CAT ENVELOPE CATEGORY NO SPEND NOVEMBER			APPTS HOLIDAYS BILLS TRAVEL	


Dec.

PRIORITIZE YOUR SAVINGS GOALS

You can save for more than one goal at a time, but progress comes from being intentional with your priorities & understanding your tradeoffs.

Organize Your Goals By Terms

Short-Term: Within one year

Medium-Term: Within five years

Long-Term: Within 10+ years

Order Your Goals In Order Of Importance

For each term, list them in priority order starting with 1 for the most important.

Focus on your most urgent goal first

This is usually priority number one under your short term goals.

Use any remaining amount intentionally

If you need to work on another goal at the same time, put the remainder toward your next highest priority. You choose how much to each goal depending on what you want to accomplish and the tradeoffs you are comfortable making.

PRIORITIZE YOUR SAVINGS GOALS

(REAL LIFE EXAMPLE)

Assumptions: You have \$1,200/mo to use towards your goals and you have the following goals:

SHORT-TERM GOALS

Priority One: Emergency fund \$2000 in 6 months

Priority Two: Maternity leave \$6,000 in 7 months

MEDIUM-TERM GOALS

Priority One: Car fund \$10,000 in 24 months

How you would allocate your \$1,200 for all three goals:

MONTHS 1-5

Emergency Fund: \$400 (\$2,000 goal hit in 5 months)

Maternity Leave: \$600

Car Fund: \$200

MONTHS 6-7

Maternity leave: \$1,000 (\$6,000 goal hit in 6 months)

Car Fund: \$200

MONTHS 7+

Car Fund: \$1,200 (You will hit your \$10,000 goal in 2 years)

WHY PRIORITIZING YOUR GOALS THIS WAY WORKS

You are saving for all three goals at the same time, but your money is always directed toward the most urgent need first.

As goals are completed, the money rolls forward instead of being spread thin or wasted. Nothing feels overwhelming, and progress stays visible.

WHAT I NEED TO SAY BEFORE STEP 7

This is where the Budget By Paycheck Method becomes truly personal and unique.

How you work through the steps, depends entirely on your goals and your current situation. If you do not have debt, your path will look different than someone who does.

This method is not meant to be set-in-stone or followed in a strict, black and white way. It is designed to give you the strongest financial foundation possible, one that you build on top of based on what matters most to you.

For some, this is frustrating and irritating because they want the answer handed to them. A clear path. Unfortunately, I can't give that to you. And if I did, it would be a disservice to you.

You might be starting this journey with little financial confidence, but as you work through the method, you will build clarity, confidence, and trust in your financial decisions and in what you are working toward with your money.

7

A PLAN OF ATTACK FOR YOUR DEBT

Paying off debt is not about how much you owe or how big your payments are. It is about building healthy financial habits that **keep you out of debt long term.**

Understand your full debt picture

List every debt, including the balance, interest rate,, minimum payment, and due date.

Determine what you can realistically afford

Subtract your expenses from your income to see what is available for debt.

Choose a payoff strategy

*Debt Snowball focuses on quick wins and motivation.
Debt Avalanche focuses on saving the most on interest.
Or create a custom order you want to pay it off.*

Create your plan

Decide how much extra you will put toward debt each paycheck.

Add it to your paycheck budget

Debt payoff should be planned, not leftover money.

HOW TO IMPLEMENT YOUR DEBT PLAN

Creating a plan is only the first step. What makes debt payoff actually work is how you follow through after it is added to your budget. This is where the **rollover effect matters most.**

Commit to a set payment amount

Each paycheck, you pay the minimums on all debts and direct your extra money toward your priority debt.

Use the rollover effect when a debt is paid off

When one debt is eliminated, you do not keep that payment for spending. You roll the entire payment amount into the next debt.

Keep your budget the same

Your total debt payment stays consistent. The only thing that changes is where the money goes.

Let momentum build

Each payoff increases the amount going toward the next debt, speeding up progress without needing more income.

BBP[®] RULES FOR PAYING OFF DEBT

These guidelines help you decide when debt should be the priority and how to approach it sustainably.

High-interest debt comes before investing beyond an employer match.

If you have access to an employer match, take it. After that, focus on paying off high interest debt before increasing investments.

Do not use debt while paying it off

Continuing to use credit while trying to eliminate it slows progress and breaks momentum.

Minimum payments are non negotiable

Every debt gets at least the minimum payment on time, every time.

Extra money goes to one priority debt at a time

Focusing on one debt builds momentum and accelerates payoff.

Debt payoff should be planned, not leftover

Your debt payments belong in your budget, not whatever happens to be left at the end of the month.

Build a small kick off emergency fund first

Start with a small emergency fund to prevent new debt, then continue building it while paying off debt.

WHAT A DEPT PLAN LOOKS LIKE

AUGUST DEBT PAYMENT PLAN

TOTAL DEBTS

CREDITOR	BALANCE	INT. RATE	MIN. PAYMENT	ORDER
STCU CREDIT CARD	\$4125.79	10.9%	\$85	2
CAPITALONE CREDIT CARD	0	21.40%	\$139	—
CAR LOAN	\$10,020.51	3.50%	\$349.90	13
DISCOVER CREDIT CARD	\$15,550.22	15.70%	\$323.00	1
STUDENT LOAN #1	\$10,492.55	10.8%	\$35.79	3
STUDENT LOAN #2	\$5123.44	5.10%	\$28.59	8
STUDENT LOAN #3	\$7789.40	10.8%	\$43.00	4
STUDENT LOAN #4	\$101.41	4.23%	\$58	12
STUDENT LOAN #5	\$1805.22	4.23%	\$10.24	11
STUDENT LOAN #6	\$2993.31	10.8%	\$10.51	5
STUDENT LOAN #7	\$1453.71	4.23%	\$8.25	10
STUDENT LOAN #8	\$1078.95	10.8%	\$3.77	6
STUDENT LOAN #9	\$3054.48	4.5%	\$17.27	9
STUDENT LOAN #10	\$4745.92	10.8%	\$20.13	7
TOTAL	\$70,540.91		\$1087.15	

EXTRA DEBT PAYMENTS

CREDITOR	EXTRA PYMT AMT	PYMT DATE
CAPITALONE CC	\$3151	8/20/18
DISCOVER CC	\$100	8/20/18

TOTAL DEBT PAYMENTS IN
AUGUST
(MINIMUM + EXTRA)

\$4338.15

MONTHLY DEBT PROGRESS

LAST MONTH TOTAL DEBT BALANCE	(A) \$74,388.49
THIS MONTH TOTAL DEBT BALANCE	(B) \$70,540.91
1 TOTAL DEBT MONTHLY PROGRESS (\$)	(A - B) \$3847.58
TOTAL DEBT MONTHLY PROGRESS (%) <small>(move decimal over two places)</small>	(1 / C) $(3847.58 / 77,281.29) = .0498 = 4.98%$

OVERALL DEBT PROGRESS

TOTAL DEBT YOU STARTED WITH	(C) \$77,281.29
THIS MONTH TOTAL DEBT BALANCE	(D) \$70,540.91
2 OVERALL DEBT PROGRESS (\$)	(C - D) \$6,740.38
OVERALL DEBT PROGRESS (%) <small>(move decimal over two places)</small>	(2 / C) $(6740.38 / 77,281.29) = .0872 = 8.72%$

CREATE A PAYCHECK BUDGET

This is where everything comes together.

As a paycheck budgeter, you **create a new budget every time you get paid**. If you are paid multiple times a month, or if you and your spouse both get paid, you can **combine paychecks and** choose dedicated budgeting days to reduce how often you budget.

The goal is to make budgeting work for your life and schedule, not the other way around.

The Budget by Paycheck Method uses a zero based budget. This means every dollar is given a job.

our income minus your expenses, savings, and debt payments should equal zero, not because you spend everything, but because every dollar has a purpose.

Your paycheck budget should be created and finalized before your paycheck hits your account. The goal is to already know exactly what your money needs to do the moment it arrives.

PAYCHECK BUDGET

(THE STEPS)

Write down guaranteed income only

Start with income you know you will receive. This includes your paycheck, any guaranteed additional income, and savings you are intentionally using from previous months. Do not include money you hope to earn.

Budget for your fixed expenses first

Use what you identified in Step Three. This includes regular bills, minimum debt payments, and any automatic savings or investing contributions.

Budget for your variable expenses

Use the categories from Step Four. Set realistic amounts based on your tracking and cash envelope or spending tracker limits.

Use your budget calendar as a guide

Check your calendar to make sure every bill, event, and expense due before your next paycheck is included so nothing is missed.

Follow the path that fits your situation

If you are paying off debt, incorporate your debt plan from Step Seven. If you are debt free, budget toward your savings or investing goals from Step Six. If you are doing both, add them to your budget!

Assign every dollar a job

When your income minus expenses equals zero, your paycheck has a plan.

THE RED LIGHT/GREEN LIGHT TEST

Once you have added all parts of your budget using the previous steps, you run the Red Light/Green Light test.

Green Light

If your budget ends with money left over or a positive number, you are cleared to move forward.

This means your income supports your plan. You can implement your budget and intentionally decide what to do with any remaining money. This is where knowing your priority goals matters most.

Green Light

If your budget ends in the negative, stop. A negative number means something needs to be adjusted before you move forward.

When you hit a red light, ask yourself one question. Is this an income issue or a spending issue?

An income issue means you do not currently make enough to cover your expenses or even your bare bones budget.

A spending issue means you make enough income, but your spending does not align with the goals you outlined in your budget.

This step protects you from forcing a budget that does not work and helps you make intentional changes before the money is spent.

A PAYCHECK BUDGET (WHAT IT LOOKS LIKE)

JUNE
Paycheck Bill Tracker

PAYCHECK DATE: 06/01/2020

2021 TRANSFERS

Income	Budget	Actual
TBm Income	4232	
Chris	6000	
RD Cash Envelopes	200	
INCOME TOTAL	5032	

Bills	Date	Budget	Actual
Internet	1st	180	
At&t	6th	109	
Hulu & Spotify	7th	25	
Dog Insurance	7th	47	
FF Savings	11th	100	
529 Savings	15th	450	
Avista	16th	350	
Dental Insurance	16th	24	
Home Security	19th	54	
Netflix	21st	12	
Life Insurance	23rd	9	
FF Savings	25th	100	
Daycare	25th	100	
Car Insurance	25th	117	
Amazon	26th	45	
Medical Ins.	29th	326	
Cushion	N/A	280	
BILL TOTAL (1)	2388		
LEFTOVER (A)	21044		

Envelopes	Budget	Actual
LEFTOVER (A)	21044	
Food (cash = \$30)	450	
Fun	75	
Gas	150	
Beauty	80	
Misc	100	
Household	80	
Pets (RD \$200)	270	
ENVELOPE TOTAL (2)	1205	
LEFTOVER (B)	1439	

Sinking Funds	Budget	Actual
LEFTOVER (B)	1439	
4th of July (2021)	17	
Babe's Bday (2021)	34	
James Bday (2021)	23	
Xmas	180	
Back-to-school (2021)	32	
Car Maint	40	
Vacation	200	
Valentines (2021)	15	
House Insurance	87	
House Maint	100	
SINKING TOTAL (3)		
LEFTOVER (C)		

Extra Debt	Budget	Actual
LEFTOVER (C)		
EXTRA DEBT TOTAL (4)		
LEFTOVER (D)		

Extra Savings	Budget	Actual
LEFTOVER (D)		
Property Taxes	500	
Disneyland	106	
Septic (Pumping)	5	
Landscaping	100	
SAVINGS TOTAL (5)	1439	
LEFTOVER	0	

Total Income - (1+2+3+4+5)
5032 - (2388 - 1205 - 1439) = 0

the budget mom

9

TWEAK & EVOLVE

This step is about growth, not fixing mistakes.

Your budget paychecks are not meant to stay the same month after month, because your life is not the same month after month.

This method is not about copying and pasting numbers or forcing a plan to work. It is about building a budget that grows and changes with you.

As your life evolves, your priorities, goals, and needs will shift too. That does not mean you are doing something wrong. It means you are paying attention.

Tweaking your budget is not failure. It is how this process stays realistic, sustainable, and aligned with the life you want to live.

When you build a strong financial foundation, your budget becomes a tool you adjust, not a rule you are forced to follow.

TWEAK & EVOLVE (THE STEPS)

Check in regularly

Ask yourself if your budget still reflects the life you want to live.

Revisit your why

Your why may evolve as your life changes. That is normal.

Evaluate what feels off

Look at categories, goals, or habits that no longer feel supportive.

Adjust without guilt

Change is not failure. It is growth and awareness.

Learn from hard months

Setbacks and off months teach you more than perfect ones ever will.

Keep building forward

Each tweak strengthens your foundation and your confidence.

FINAL NOTE

The Budget By Paycheck Method was never about control, restriction, or doing everything “right.” It was created to meet you where you are and give you a way forward that actually fits your life.

This method is flexible on purpose. It is not a one size fits all system. It adapts to different incomes, different seasons, different goals, and different challenges.

Whether you are paying off debt, building savings, investing, or simply trying to feel more confident with your money, this method gives you a strong foundation to build on.

You do not need to have it all figured out to start. You just need a willingness to be honest, intentional, and consistent. Confidence comes from action, not perfection.

And as you work through this method, that confidence grows with every decision you make.

This method completely changed my life. I hope by gifting it to you, it helps change the way you experience your life.