

Budgeting Basics

Money is a part of life every day. What you wear, what you eat, where you live, and the fun things you do are only a few of the money related decisions you make.

For some people, having a million dollars wouldn't be enough to satisfy their wants. Millions of other people manage to pay their bills, save for the future, and enjoy life while still living within their income. Managing money takes time and effort.

The way you spend or save money today will help determine what you have and whether you can pay your bills in 6 months, a year, or many years from now. For example, if you spend your money as fast as it comes in, you may find yourself in debt when unplanned expenses occur.

Do you have control over how you spend money? Can you live within your income—meeting expenses and putting some money into savings?

Budgeting is a way to get the most out of your dollars. It is not just about saving money, being a tightwad, or doing without. Budgeting is about deciding where your money will go and making a spending and savings plan.

Money Management Skills

No one is born with natural money management skills. You may have learned some money management skills from your family, but you may want to manage your money differently than your parents managed theirs. You also may have learned some of these skills at school or through life experiences. Developing good money management skills takes time, practice, and patience.

Budgeting

If you run out of money before all the expenses are paid, you are not alone. While people work hard to earn an income, they often do not work at planning how that income will be spent. There are steps you can take to make a budget work for you. The basic steps in successful budgeting include

1. Track how your money is spent for 1 month.
2. List all income for the month.

3. Compare expenses to income.
4. Determine what changes need to be made.
5. Make a spending and savings plan.
6. Try to follow the spending and savings plan, adjusting it as necessary.
7. As money is spent, record all expenses on an expense work sheet.



Budgeting Basics: Getting Started

1. Get organized.

Get your bills and financial records together. Have a designated box, basket, or file where bills are placed when they arrive. Open the bill and mark on the outside of the envelope the date the bill should be paid. If you are going to mail the payment (rather than pay it in person), the date noted should be 4 or 5 days before the due date (to allow the payment to arrive before the due date and avoid a late fee).

After paying a bill, mark it "paid" and put it in a large envelope, box, or file marked "paid bills." Keep receipts for cash payment of bills in the same place.

2. Track spending.

Keep a folded sheet of paper or small notebook with you at all times to track all of the money you spend for 1 month.

3. Record spending.

Record your spending on a budget expense work sheet, adding categories if necessary to fit your spending pattern.

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Discussion:**

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BUDGETING**

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4. Record all income on the income work sheet.

5. Compare expenses to income.

If your expenses are more than your income, look for what you can cut.

Determine what expenses are absolutely necessary, such as housing, utilities, and food.

Decide which other expenses can be cut to meet the necessary expenses. Look for ways you can increase your income.

6. Make a budget (spending and savings plan) for next month.

Fill in planned expenses and expected income on a budget sheet.

As it is received, record income on an income sheet and monthly calendar.

As bills arrive, list them on the monthly calendar on the date they should be paid. Also record other monthly expenses if no bill is received (such as rent).

Plan what bills and expenses will be paid out of each paycheck or other source(s) of income, as well as how much of the income must be saved to pay expenses later in the month.

7. At the end of the month, subtract expenses from income and determine if you have stayed within your budget.

8. Review expenses and income to determine what needs to be changed.

Do you need to cut some expenses or increase income?

Don't be discouraged. The first few months that you try to follow your budget will be a learning experience. You may need to make changes in your budget. Remember, a budget is a guideline for spending and saving money. It helps you identify where your money goes and helps you plan how to use your money to get the things you need and want.

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