

INTRO TO BUDGETING

From [Consumer.gov](https://www.consumer.gov)

What is a budget?

A budget is a plan you write down to decide how you will spend your money each month.

A budget helps you make sure you will have enough money every month. Without a budget, you might run out of money before your next paycheck.

A budget shows you:

- how much money you make
- how you spend your money

Why do I want a budget?

A budget helps you decide:

- what you must spend your money on
- if you can spend less money on some things and more money on other things

For example, your budget might show that you spend \$100 on clothes every month. You might decide you can spend \$50 on clothes. You can use the rest of the money to pay bills or to save for something else.

Why should I try to save money?

You might need money for an emergency. You also might need to buy something more expensive, like a car. Saving money might help you buy a car, put a security deposit on an apartment, or pay for something else expensive.

How do I start a budget?

Start a budget by gathering your bills and pay stubs. Think about how you spend money, besides paying your bills. For example, do you buy a cup of coffee every day? After a month, that coffee money could add up to a significant amount.

Use the [Budget Worksheet](#) to help you.

Write down your expenses. Expenses are what you spend money on. Expenses include:

Bills:

- bills that are the same each month, like rent
- bills that might change each month, like utilities
- bills you pay once or twice a year, like car insurance

Other expenses, like:

- food
- gas

- entertainment
- clothes
- school supplies
- money for family
- unplanned expenses, like car repairs or medical bills
- credit card bills

You might have bills that change every month. Look at what you paid for the same month last year. You might need \$200 for your gas bill in January, but \$30 in July.

Write down how much money you make. This includes your paychecks and any other money you get, like child support.

Subtract your expenses from how much money you make. This number should be more than zero. If it is less than zero, you are spending more money than you make. Look at your budget to see what you do not need or what you could spend less on.

How do I use my budget?

You can use your budget every month:

- At the beginning of the month, make a plan for how you will spend your money that month. Write what you think you will earn and spend.
- Write down what you spend. Try to do this every day.
- At the end of the month, see if you spent what you planned.
- Use the information to help you plan the next month's budget.

What if I don't get paid every month?

Some people do not get paid every month. If you expect things to be like they were last year, do this:

- add all the money you earned last year
- divide that number by 12. This is about how much money you will have for each month
- For example, if last year your paychecks added up to \$30,000, $\$30,000 \div 12 = \$2,500$ so you earned about \$2,500 each month.

How can I use my budget?

A budget is something you use every month. A written budget will help you:

- see where you spend money
- see where you can save
- make a plan for how to spend and save your money

Your budget can help you save money for the future. You can make savings one of your expenses. You might find ways to spend less money. Then you can put money into savings every month – maybe into a bank or credit union.

Why should I save money?

It can be hard to save money. It is very hard when your expenses go up and your income does not. Here are some reasons to try to save money even when it is not easy.

- **Emergencies** – Saving small amounts of money now might help you later. Everyone has expenses they do not expect.
- **Expensive things** – Sometimes, we have to pay for expensive things – like a car, a trip, or a security deposit on an apartment. You will have more choices if you have money to pay for those expensive things.
- **Your goals** – You might want to pay for college classes. Maybe you need to visit family in another country. You can plan for these goals and save money. Then you might not have to use a credit card or borrow money to pay.

How else can I save money?

You can try these ways to help save money:

- For one month, write down everything you spend. Small expenses, like a cup of coffee, can add up to a lot of money. When you know where you are spending your money, you can decide what you might **not** want to buy.
- Pay with your credit card only if you can pay the full amount when the bill comes. That way, you do not pay interest on what you owe.
- Pay your bills when they are due. That way, you will not owe late fees or other charges.
- Keep the money you are saving separate from the money you spend.
- Consider opening a savings account in a bank or credit union. Read more about [opening a bank account](#).
- If you keep cash at home, keep the money you are saving separate from your spending money. Keep all your cash someplace safe.

For Example

What I did **not** buy this month:

Music downloads	\$5.00
Shirt	\$30.00
Movie ticket	\$10.00
Top off gas tank	\$15.00
Cups of coffee	\$12.00
What I saved this month:	\$72.00

A budget is a plan that shows you how you can spend your money every month. Making a budget can help you make sure you do not run out of money each month. A budget also will help you save money for your goals or for emergencies.