

# Practical Money Skills for Life™



PRACTICAL MONEY GUIDES

## BUDGET BASICS

Learn to create  
and stick to a budget



# IT'S EASY TO CREATE A BUDGET THAT WORKS FOR YOU

A budget can help you pay your bills on time, cover unexpected emergencies, and reach your financial goals—now and in the future. Most of the information you need for your budget is already at your fingertips. This guide explains how to create a budget and stick to it.

## PRACTICAL MONEY GUIDES

### **BUDGET BASICS**

CREDIT HISTORY

CREDIT CARD BASICS

DEBIT CARD BASICS

PREPAID CARD BASICS

IDENTITY THEFT

When you understand how to manage your finances, you've got an invaluable tool in taking control of your life. Wise use of these skills can provide peace of mind, financial freedom, increased buying power and a secure future. This guide is one of a series on **PRACTICAL MONEY SKILLS FOR LIFE.**

# CREATE YOUR BUDGET

This worksheet will help you get a clear picture of your monthly finances. It will also act as a starting point for your budget. To complete it, follow the simple steps outlined below.

**1. QUESTION YOUR NEEDS AND WANTS** What do you want? What do you really need? Evaluate your current financial situation. Take a look at the big picture. Make two lists – one for needs and one for wants. As you make the list, ask yourself:

- Why do I want it?
- How would things be different if I had it?
- What other things would change if I had it? (for better or worse)
- Which things are truly important to me?
- Does this match my values?

**2. SET GUIDELINES** We all have different budgets based on our needs and wants. But the Building a Budget chart on the next page shows some guidelines on how much should go toward different expenses. You may need to make adjustments for a daily latte fix or visits to family, but remember to subtract amounts from other areas if you do.

**3. ADD UP YOUR INCOME** To set a monthly budget, you need to know what’s coming in. Make sure you include all sources of income such as salaries, interest, pension, and any other income sources.

**4. ESTIMATE EXPENSES** The best way to do this is to keep track of how much you spend each month. Categorize spending depending on your needs and wants. Use the Budget Worksheet in this guide as a starting point.

**5. FIGURE OUT THE DIFFERENCE** Once you’ve created your budget, keep records of your actual income and expenses. This keeps you aware of the difference between what you budget and actually spend.

## BUILDING A BUDGET

This chart shows some rough guidelines on how much of your income should go toward different expenses. If you live in an area where transportation is higher than normal or rents/mortgage are higher, you may need to make adjustments. Also, if you would like to add a section for gifts, or something else, then you'll need to subtract from another area.

30%	HOUSING
18%	TRANSPORTATION
16%	FOOD
8%	MISCELLANEOUS
5%	CLOTHING
5%	MEDICAL
5%	RECREATION
5%	UTILITIES
4%	SAVINGS
4%	OTHER DEBTS

**6. TRACK, TRIM AND TARGET** Once you start tracking, you may be surprised to find you spend hundreds of dollars a month on eating out or other flexible expenses. Some of these are easily trimmed. Cutting back is usually a better place to start than completely cutting out. Be realistic. It will help you to be better prepared for unexpected costs.

## The SMART Way to Trim Expenses

In finding ways to trim flexible expenses, it helps to have a goal to save toward each month. Setting such a goal needs to be SMART:

**SPECIFIC** Smart goals are specific enough to suggest action. Example: Save enough to visit Rome for your wedding anniversary. Not just “save money.”

**MEASURABLE** You need to know when you achieved your goal or how close you are. Example: A trip to Italy costs \$2,000, and you have \$800 saved.

**ATTAINABLE** The steps toward reaching your goal need to be reasonable and possible. Example: I know I can save enough money each week to purchase that trip to Italy.

**RELEVANT** The goal needs to make sense. You don’t want to work toward a goal that doesn’t fit your need. Example: We would like to stay in four-star hotels in celebration of our anniversary.

**TIME-RELATED** Set a definite target date. Example: I want to go to Italy by next summer.

## BUDGET WORKSHEET

Monthly Net Income	
Income #1	\$
Income #2	\$
Interest	\$
Other	\$
<b>TOTAL INCOME</b>	\$

Monthly Flexible Expenses	
Food	\$
Entertainment	\$
Debt Payments	\$
Other	\$
<b>TOTAL FLEXIBLE EXPENSES</b>	\$

Monthly Fixed Expenses	
Housing	\$
Groceries	\$
Utilities	\$
Transportation	\$
Health	\$
Other	\$
<b>TOTAL FIXED EXPENSES</b>	\$

<b>TOTAL EXPENSES</b>	\$
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(add flexible and fixed expenses)

<b>TOTAL MONTHLY INCOME</b>	\$
<b>TOTAL MONTHLY EXPENSES</b>	\$
<b>TOTAL FOR SAVING &amp; INVESTING</b>	\$

## ADDITIONAL RESOURCES

For more information on creating and maintaining a budget, visit

**[www.practicalmoneyskills.com/budgeting](http://www.practicalmoneyskills.com/budgeting)**

For an online Budget Worksheet that calculates the figures for you, visit

**[www.practicalmoneyskills.com/budgetplanner](http://www.practicalmoneyskills.com/budgetplanner)**

For additional online calculators, visit

**[www.practicalmoneyskills.com/calculators](http://www.practicalmoneyskills.com/calculators)**



For more information, visit  
[www.practicalmoneyskills.com](http://www.practicalmoneyskills.com)