



Budgeting Basics

"[Spending money] can be a lot more tempting than it was in high school ... It is easy to quickly step out of your spending budget and do things just because your friends want you to. If you are not careful, your spending can quickly escalate."

Jessica, College Student

WHY DO I NEED TO BUDGET?

Sure budgeting sounds like a pain - **BUT budgeting can actually give YOU control over YOUR money.** Whether you are trying to make it for the first time on your own or are trying to make sure you have some of your summer money left in savings, **budgeting can be the difference between success and failure.**

Why does budgeting matter?

Budgeting is a key to financial success for teens and young adults because most young adults are living on a limited income. **When you don't have a lot of extra income, every dollar counts and even spending on small items can break you.**

For example, consider going out to eat every day for lunch for one year.



How much would you spend on their burgers and fries?

Over \$1600



What about a bag of chips and a soda?

Over \$700

DEAR DICTIONARY

What is ...?

BUDGET = a plan with an estimate of the money you will make (your income) and the money you will spend (your expenses) for a specific length of time

INCOME = money you earn or receive

EXPENSES = money you spend

CHAPTER FIVE: BUDGETING BASICS

DO YOU KNOW WHAT YOU SPENT LAST WEEK?

Let's try it.

Take about 3 minutes.

Try to think of the last 15 things that YOU purchased. Record these in the column to the right.

This can be a pack of gum, a soda, whatever. Small items count. It's fine if you received the money from your parents to spend.

BUT you must remember both what the item was AND exactly how much it cost!

Tracking Your Spending	
Item	Amount
1)	
2)	
3)	
4)	
5)	
6)	
7)	
8)	
9)	
10)	
11)	
12)	
13)	
14)	
15)	

The Young Adult Challenge

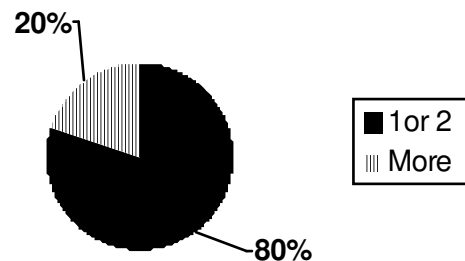
Why is budgeting so hard for young adults?

While going to college is one of the single best investments a teen can make in their future, managing financial aid can be hard.

Half of students receive financial aid to pay for school. Most students, over 80% of students in our sample, received their financial aid in one or two large payments each year.

This is TOUGH! This would be like your parents receiving their whole paycheck for the year in ONE month!

Percent of Students Receiving Financial Aid in 1-2 Payments



CHAPTER FIVE: BUDGETING BASICS

GETTING BY: CREATING YOUR FIRST BUDGET

Making a budget does not have to take a long time, AND it is something that EVERYONE can do. LET'S TRY AN EXAMPLE

- You are a full-time student and work part-time.
- Your yearly (or annual) income from student assistance or loans is \$35,000.
- Your major yearly or annual expenses are: room & board (\$10,000), tuition (\$20,000), other school fees (\$2,500) and books (\$1,300).
- You also earn \$400 per month from your student job.

HOW DO YOU KNOW WHAT YOU CAN SPEND?

1) Total your yearly or annual expenses (by using the box at right).

(In the real world, set aside enough money to cover these expenses for the entire year in a safe accessible place like a savings account.)

Room & Board	\$10,000
Tuition	\$20,000
Other Fees	\$2,500
Books	\$1,300
Total Yearly Expenses	\$33,800

2) Calculate the amount of money that you have left for your monthly expenses (in the box below). Subtract your yearly expenses from your yearly income (not including your pay from your part-time job).

Yearly Income	\$35,000
Yearly Expenses	\$33,800
Money Left for Monthly Expenses	\$1,200

3) How much would your 'money left for monthly expenses' be per month?

Divide your answer (from question 2) by 12.

Money Left for Monthly Expenses = (Money Left \$1,200 /12) =	\$100
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4) How much do you have to spend each month?

(Add your money left for monthly expenses per month and any monthly income. Remember, in this example you have a part-time job earning \$400 per month.)

Money Left for Monthly Expenses + Monthly Income = \$100+\$400	\$500
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CHAPTER FIVE: BUDGETING BASICS

5) Do you think that you could live on this amount per month? What if you had to pay for all these items below? Which 3 of the items listed below do you think cost the young adults from our sample the most money?

Circle the items you think are the most expensive. If there is time, take a guess at the average amount you think young adults spend on each of these items.

Monthly Expense	Amount*
Groceries	200
Health Fees/Insurance	
Auto Insurance/Repair/Fees/Gas	100
Entertainment/ Eating Out	160
Utilities/Telephone/Internet	125
Clothing	
Emergency Savings	
Gifts	
Travel	
Other	
Total Monthly Expenses	

*These are common amounts from a survey done with Illinois young adults in 2006.



SO HOW DO I USE A BUDGET IN THE REAL WORLD?

See your **BUDGET BUILDER** records on pages 43-45 to record the steps below and make your **REAL** budget!

1. Estimate the amount of money you will receive at the beginning of the year from your family, loans, scholarships, etc. Record this under **YEARLY INCOME** (page 43).
2. Calculate the amount of money you will need to set aside for your biggest expenses – things like tuition, books, rent or room and board.

Record these under **YEARLY EXPENSES** (page 43). Set aside enough money to cover these expenses in a safe accessible savings vehicle – like a savings account.

3. Under **MONEY LEFT FOR MONTHLY EXPENSES**, subtract the amount of money you need for YEARLY EXPENSES from your YEARLY INCOME to find the amount of money you have left for monthly expenses. Divide this by 12 (for 12 months in a year). Record this as your **MONEY LEFT FOR MONTHLY EXPENSES**.

4. Now, go to your **MONTHLY BUDGET RECORD: MONEY AVAILABLE**. Record your **MONEY LEFT PER MONTH** & any **MONTHLY INCOME** or other funds that you plan to have under the **BUDGET** column. This is your **TOTAL MONTHLY MONEY AVAILABLE** to use for expenses.

5. Turn to your **MONTHLY BUDGET RECORD: EXPENSES** (pgs 43-45). Estimate how much you think you will spend each month on each item listed to get your **TOTAL MONTHLY EXPENSES**. Record this under the **BUDGET** column. Calculate your **TOTAL MONTHLY EXPENSES**.

6. Now, find out if your budget balances by completing your **BUDGET BALANCER**. Record & subtract your **TOTAL MONTHLY EXPENSES** (pgs 43-45) from your **TOTAL MONTHLY MONEY AVAILABLE** (p43). How much do you have left to spend each month? If the **BUDGET BALANCE** is negative or your **EXPENSES** are greater than your **MONEY AVAILABLE**, spend less or earn more!

7. Use your **RECEIPT BOX** to track your **REAL MONTHLY EXPENSES** and **INCOME** and record this under **MONTH 1, 2, 3, etc.** Turn to page 47 to learn more!

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Yearly Income	
Budget Item	Amount
Student Loans	
Scholarships	
College Savings to Use This Year	
Help from Your Family/ Other Yearly Income	
Total Yearly Income	

Yearly Expenses	
Budget Item	Amount
Tuition	
Rent or Room and Board	
Books	
Other Yearly Expenses	
Total Yearly Expenses	

Money Left for Monthly Expenses	
Budget Item	Amount
Annual Income	
Annual Expenses	
Money Left for Monthly Expenses	
Money Left/12= Money Left Per Month	

Monthly Budget Record: Income Available							
Monthly Income	Budget	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Money Left Per Month							
Monthly Income							
Other							
Total Monthly Money Available							

Monthly Budget Record: Income Available							
Monthly Income	Budget	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Money Left Per Month							
Monthly Income							
Other							
Total Monthly Money Available							

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Monthly Budget Record: Expenses (See Page 21 for Months 7 through 12)							
Monthly Expenses	Budget	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Saving							
Taxes							
Interest/Debt							
Utility/Phone/Internet							
Groceries							
Medical/Dental							
Auto							
Other Transportation							
Entertainment/ Dining							
Salon Services							
Laundry							
Household Supplies							
Sports Ticket/Fees							
Clothing							
Gifts							
Total Monthly Expenses							

Budget Balancer (Use totals from Pages 19-21.)							
	Budget	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Total Monthly Money Available							
Total Monthly Expenses							
Budget Balance							

Budget Balancer (Use totals from Pages 19-21.)							
	Budget	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Total Monthly Money Available							
Total Monthly Expenses							
Budget Balance							

CHAPTER FIVE: BUDGETING BASICS

Monthly Budget Record: Expenses (Record Totals on Page 20)							
Monthly Expenses	Budget	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Saving							
Taxes							
Interest/Debt							
Utility/Phone/Internet							
Groceries							
Medical/Dental							
Auto							
Other Transportation							
Entertainment/ Dining							
Salon Services							
Laundry							
Household Supplies							
Sports Ticket/Fees							
Clothing							
Gifts							
Total Monthly Expenses							

BUDGETING TODAY: A STUDENT'S BUDGET

Make a budget you can use now. Create a budget for your earning and expenses while you are still living at home.

- 1) Look at the **STUDENT BUDGET** on page 46.
- 2) Record your **ESTIMATE** of how much you will earn AND spend in the **BUDGETED AMOUNT PER MONTH** column.
- 3) Track & record your **ACTUAL** earnings & expenses under the weekly columns and total these under the **ACTUAL TOTAL FOR MONTH**.
- 4) Compare your **ACTUAL TOTAL FOR MONTH** to your **BUDGETED TOTAL**. Compare your **INCOME** to the total of your **EXPENSES** and **SAVING/DONATIONS**. (Subtract both your **SAVING/DONATIONS** and **EXPENSES** from your **INCOME** to make sure your budget balances.)



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A STUDENT'S BUDGET						
Name:				Month:		
	WEEK 1	WEEK 2	WEEK 3	WEEK 4	ACTUAL TOTAL FOR MONTH	BUDGETED AMOUNT FOR MONTH
INCOME						
TOTAL INCOME						
SAVE FIRST: SAVING AND DONATING						
SHORT- TERM SAVINGS (Piggy Bank)						
SAVINGS ACCOUNT						
INVESTMENTS (Long-term)						
DONATIONS						
TOTAL SAVED OR DONATED						
EXPENSES						
SCHOOL						
SNACKS/EATING OUT						
BOOKS						
MOVIES/MUSIC						
CLOTHES						
SPORTS						
GIFTS						
TOTAL EXPENSES						
BUDGET BALANCE						
INCOME						
SAVING/ DONATIONS						
EXPENSES						
BUDGET BALANCE						

CHAPTER FIVE: BUDGETING BASICS

SO WHAT DO YOU DO WITH A BUDGET?

So now that you have a budget, what do you do with it?

To use your budget, you must track your spending!

Remember the tracking spending exercise? **When you are first using a budget, when you are living on a limited income or when you have any life change, tracking your spending is essential!**

So how did our student sample recommend that you track your spending? See the top five tips to the right.



Student Tip: "Write everything down!"

Mina, College Freshman

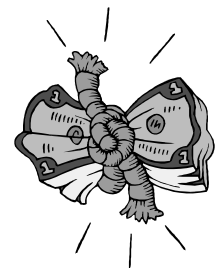
Tracking Your Spending

1. **Keep ALL of your receipts.**
(If you do not get a receipt ask for one or jot down your expense on a piece of paper.)
2. **Place your receipts in your receipt box (see receipt box).**
3. **Every month, go through your receipts. Separate these into your budget categories (food, entertainment, etc.).**
4. **Total your expenses in each category. Compare your totals at the end of each month to your budgeted amount in the budget column.**
5. **If you find you are over budget for any items, try to adjust your spending.**

SO I AM USING A BUDGET NOW WHAT?

What does your budget tell you ...

1. If your **TOTAL** expenses are more than your **TOTAL** income, you **WILL** run out of money and go into debt. You must increase your income or decrease your spending.
2. If you are over budget in just some categories, take a look at your overall budget. You might need to work to **REDUCE** your spending in that category, **OR**, if you are spending less in other categories than expected, you may be able to adjust your budgeted amounts for each category.
3. If your **TOTAL** income is greater than your **TOTAL** expenses – **GREAT!** You can leave more flexibility in your budget or add to your savings.



CHAPTER FIVE: BUDGETING BASICS

BUDGETING JEOPARDY: MAKING ENDS MEET!

- ▶ Question: A **budget** is a tool that you can use to meet your financial goals. A **budget** gives you the power to control your finances.
- ▶ Question: Money that you earn or receive is called your **income**.
- ▶ Question: Money that you spend is referred to as your **expenses**.
- ▶ Question: To use your budget successfully you must **track** your spending.



Budgeting is not about setting limits or what you CANNOT have. Budgeting is about taking ownership and empowering yourself to meet YOUR financial goals.

As a young adult, YOU are in control of your financial future for the first time.



Create your own online college budget for FREE!
Visit the Budget Builder on the Resource page at
www.CollegeBudgetBuilder.org.