



## 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 does not sound like much fun - **BUT budgeting can actually give YOU control over YOUR money.** Think about your financial goals & values before you begin your budget. Whether you are trying to make it on your own for the first time or are trying to make sure you have some of your summer money left for college, **budgeting can be the difference between success and failure.**

Why does budgeting matter?

**When you don't have a lot of extra income, every dollar counts - even spending on small items can break you.**

For example, think about eating out ...



How much on average would someone spend on burgers & fries if they went out for a fast food lunch every day for one year?



How much on average would some spend on a snack of chips and soda every day for one year?

#### 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 SPEND?

Let's try it. Take about 2 minutes.

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

This can be a pack of gum, a soda, whatever. Small items count. Even if you received the money from an allowance or cost of living stipend, the spending still counts.

**Next, record how much each item cost under amount!**

Was it hard to remember what your purchased? Total your item spending. Did you spend more than you thought?

How many items were wants vs. needs? Circle the items that were wants? Could you have done without any of those items?

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

### GETTING BY: CREATING YOUR FIRST BUDGET (WORK/NON-COLLEGE)

**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 young adult, a high school graduate & you work.
- Estimate your hourly pay, hours worked per week & taxes using the lines below.
- How much would you have to spend in each of the items on page 43? Use your real world experiences to estimate these costs.
- Would you have enough money to get by?
- Do you think you will have to get a second job? Why or why not?

Let's try it. Complete the budget below & on the next page.

TOTAL MONTHLY INCOME	
Income (calculate \$__ per hour X __ hours per week X 4 weeks)	\$
Other sources of income (add child support, other assistance, etc. if applies)	\$
Estimated Taxes (multiply your monthly income by 0.0765 or 7.65% and then subtract that total amount to estimate your (FICA) taxes – you may owe MORE!)	-\$
<b>TOTAL MONTHLY INCOME AFTER TAXES</b>	\$

## CHAPTER FIVE: BUDGETING BASICS

TOTAL MONTHLY EXPENSES	
ITEM	AMOUNT
SAVINGS*	
RENT	
UTILITIES (GAS/ELECTRIC/WATER/TRASH)	
CELL PHONE	
INTERNET/CABLE	
HOUSEHOLD SUPPLIES/TOILETRIES	
GROCERIES	
EATING OUT	
OTHER ENTERTAINMENT/TRAVEL	
INSURANCE (HEALTH, RENT, AUTO)	
CLOTHING	
BEAUTY/SALON/BARBER	
CHILD CARE	
LAUNDRY	
AUTO LOAN/OTHER LOANS PAYMENTS	
AUTO MAINTENANCE/PARKING	
OTHER	
<b>TOTAL MONTHLY EXPENSES</b>	

*\*While savings is not a typical expense, it is important to set aside money for savings first!*

BUDGET BALANCE SUMMARY	
<b>TOTAL MONTHLY INCOME</b>	
<b>TOTAL MONTHLY EXPENSES</b>	
<b>BALANCE +/- (ADDITIONAL FUNDS AVAILABLE OR FUNDS YOU ARE SHORT)</b>	

**Did your budget balance? Was your income enough to cover (or be greater than) your total expenses for the month? YES/NO**

**If no, what changes could you make so that your income & expenses balance?**

Access budget forms to create your own personalized budget at <https://www.consumer.gov/content/make-budget-worksheet>. Complete a budget & then see page 48 to learn how to track your spending.

# CHAPTER FIVE: BUDGETING BASICS

If you are going to college or trade school, complete the practice activity below & then use the budget ledgers on page 46-47 to create your own budget or visit [CollegeBudgetBuilder.org](http://CollegeBudgetBuilder.org) to create a custom college budget online.

## GETTING BY: CREATING YOUR FIRST BUDGET (COLLEGE)

**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 expenses each year 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	
Tuition	
Other Fees	
Books	
<b>Total Yearly Expenses</b>	

**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	
Yearly Expenses	
Money Left for Monthly Expenses	

**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 _____ /12) =	
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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 =	
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## CHAPTER FIVE: BUDGETING BASICS

5) Do you think that you could live on this amount left to spend (from #4) each month? What if you had to pay for all of the items below on your monthly budget? Which 3 of the items listed below do you think cost the young adults from our sample the most money?

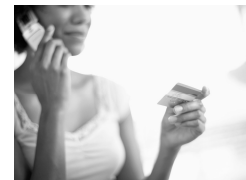
Circle the items you think are the most expensive. If there is time, guess the average amount you think young adults spend on each of these items and record this under amount column.

Monthly Expense	Amount
Groceries	
Health Fees/Insurance	
Auto Insurance/Repair/Fees/Gas	
Entertainment/ Eating Out	
Utilities/Telephone/Internet	
Clothing	
Emergency Savings	
Gifts	
Travel	
Other	
<b>Total Monthly Expenses</b>	

### SO HOW DO I MAKE A COLLEGE BUDGET IN THE REAL WORLD?

**See pages 46-47 to make a REAL budget using our budget builder ledgers!**

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 46).
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 46). 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** (pages 46-47). 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** (pages 46-47) from your **TOTAL MONTHLY MONEY AVAILABLE** (page 47). 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 48 to learn more!



## CHAPTER FIVE: BUDGETING BASICS

BUDGET BUILDER LEDGERS YEARLY INCOME	
Budget Item	Amount
Student Loans	
Scholarships	
College Savings to Use This Year	
Help from Your Family/ Other Yearly Income	
<b>Total Yearly Income</b>	

YEARLY EXPENSES	
Budget Item	Amount
Tuition/ Books	
Rent or Room and Board	
Other School Fees	
Other Yearly Expenses	
<b>Total Yearly Expenses</b>	

MONEY LEFT FOR MONTHLY EXPENSES	
Budget Item	Amount
Yearly Income	
Yearly Expenses	
<b>Money Left for Monthly Expenses</b>	
<b>Money Left/12= Money Left Per Month</b>	

Monthly Budget Record: Money Available							
Monthly Money Available	Budget	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Money Left per Month							
Monthly Income							
Other							
<b>Total Monthly Money Available</b>							

Monthly Budget Record: Money Available							
Monthly Money Available	Budget	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Money Left per Month							
Monthly Income							
Other							
<b>Total Monthly Money Available</b>							

# CHAPTER FIVE: BUDGETING BASICS

Monthly Budget Record: Expenses (Replicate this chart for months 7-12)							
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							
<b>Total Monthly Expenses</b>							

Budget Balancer (Use totals from Pages 46-47.)							
	Budget	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Total Monthly Money Available							
Total Monthly Expenses							
<b>Budget Balance</b>							
Budget Balancer (Use totals from Pages 46-47.)							
	Budget	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Total Monthly Money Available							
Total Monthly Expenses							
<b>Budget Balance</b>							

## CHAPTER FIVE: BUDGETING BASICS

### College Student Challenge

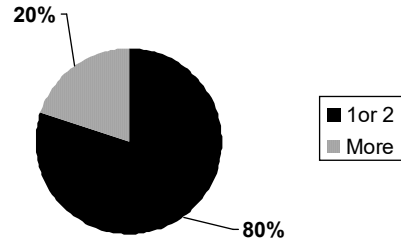
#### **Why is budgeting so hard for college students?**

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% in our sample, **received their financial aid in one or two large payments each year.**

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

**Percent of Students Receiving Financial Aid in 1-2 Payments**



## 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, living on a limited income or 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 Receipt Box Activity**

- 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.**

**Extra Tip:** You may want to check out some of the many free spending tracking apps available or check your debit card statement to track all purchases made via your debit card.

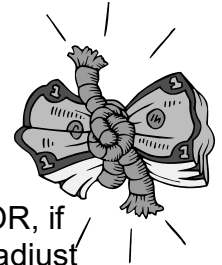


## CHAPTER FIVE: BUDGETING BASICS

### 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.



### BUDGETING JEOPARDY: MAKING ENDS MEET!

- ▶ Question: A b\_\_\_\_\_ is a tool that you can use to meet your financial goals. A b\_\_\_\_\_ gives you the power to control your finances.
- ▶ Question: Money that you earn or receive is called your i\_\_\_\_\_.
- ▶ Question: Money that you spend is referred to as your e\_\_\_\_\_.
- ▶ Question: A budget helps you to t\_\_\_\_\_ your i\_\_\_\_\_ and e\_\_\_\_\_ to meet your financial goals.



*Budgeting is not about setting limits. 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.*

