

How to Make a Budget

A budget is a plan you write down to decide how you'll spend your money each month. A good budget helps you make sure you'll have enough money for your needs each month.

Where do I start?

- **Review your monthly income, if applicable.** The first step is to evaluate how much money you expect to have coming in each month. Make sure to include all sources of income, including unemployment if you start receiving it. Also make sure to include any wages from part time work, child support, tax refunds, etc. All earnings you list should be net amounts (after taxes).
- **Identify and categorize your expenses:** to estimate your monthly expenses, you'll want to start by recording everything you spend money on in a month. You can do this using a traditional method like a notebook, or use an app or good computer program to help you track your spending. While this can be time-consuming, it will definitely help you understand where your money is going and how to manage it. After that, gather your bank records and credit card statements, since they will show you other expenses that may be on auto payment.
- **Group your expenses into fixed expenses and variable expenses:**
 - **Fixed expenses** stay about the same each month, and include things like rent or mortgage payments, care payments and insurance premiums. These debts are generally not negotiable. When creating a monthly budget, divide the amount due by the number of months the bill covers. For example, if your car insurance bill is \$1200/year, divide it by 12 months to know you'll need to set aside \$100 per month. If you have credit card bills, use a separate sheet to add up the amount you owe on each of your credit cards, and include the total amount of credit card debt as a fixed expense on your fixed expense list.
 - **Variable expenses** are those that are flexible or controllable and that can vary from month to month. Examples of variable expenses include groceries, eating out and entertainment. You'll want to look at these expenses to make sure they stay under control and don't bust your budget at the end of the month.

Balance your budget: now that you've identified your sources of income and expenses, you'll want to compare the two to balance your budget. To do so, you simply subtract your expenses from your income.

- If you have a **positive balance**, then your income is more than your expenses. In other words, you're bringing in more money than you are spending. For most people dealing with unexpected job loss, this won't be the case, but if it is,, don't start looking at new ways to spend your money! Instead, focus on putting any extra money towards your savings to cover emergencies.
- If you have a **negative balance**, then you are spending more money than you have. You'll want to balance your budget to make sure your expenses don't exceed the money you have available to you. Balancing your budget might include steps like monitoring your variable expenses, reducing your overall expenses, or finding ways to increase your income. Just be mindful that any new income may impact your eligibility for unemployment or other benefits. Spending less can be a lot easier than figuring out how to earn more. For example, consider eating out less frequently, making your own lunch, using a shopping list when you grocery shop and sticking to it, or cancelling unnecessary apps or subscriptions.

- **Budgeting Tips:** Here are some things to keep in mind as you build your budget and identify what goes into your income and expenses.
 - **Start Smart:**
 - **Overestimate your expenses.** It's better to overestimate your expenses and then underspend and end up with "extra" money.
 - **Underestimate your income,** and don't start counting any new income from things like unemployment until it actually hits your bank account.
 - **Include a category called "unusual or miscellaneous."** There will be some expenses that won't fall neatly into one category or that you couldn't have planned for. Having this category will help you budget for these occasional expenses or the unexpected emergencies that sometimes come up in life!
 - **Involve your family in the budget planning process.** Figure out how much income might be available from family sources like your spouse. Discuss how financial decisions will be made, and how they may impact your family.
 - **Pay Yourself First:** include "savings" as a recurring expense item in your monthly budget if you have any "extra" money.
 - **Keep this money separate from the money you spend.**
 - **Consider opening a savings account at a bank or credit union separate from where you pay your bills.**
 - **If you keep cash at home, make sure to keep this money separate from the money you are setting aside for savings. Make sure to keep your cash somewhere safe!**
 - **Review your spending for little items that add up to big monthly expenses.** The daily cup of coffee you are used to or the apps and streaming services you subscribe to definitely add up. Make sure to trim your expenses when you can, which will help you stretch your money further.
 - **Comparison shop:** Comparison shopping is simply using common sense to compare products to try and get the best prices and the best value. This means doing a little research before you click "add to cart," and this can be helpful for everyday items as well as big ticket purchases.
 - **Use your credit cards wisely:** think very carefully before you decide to get a credit card. Ask yourself if it is truly necessary, or if there is another solution that might work just as well? Just because you receive a credit card offer in the mail doesn't mean you should accept it. In general, you would be better off limiting the number of cards you get. Wherever possible, don't spend more on your credit card than you can afford to pay in full on a monthly basis. Consider signing up for payment reminders, balance notices and billing statement notifications from your credit card provider. Always try to pay your bills when they are due so you won't owe late fees or penalties.
- **Maintain and update your budget:** Now that you've created your budget, you'll want to treat it like a living document that will change over time. Here are some smart practices to keep in mind:
 - **Review your budget regularly, but at least once a month.** Regular reviews will keep you on top of things and can help you avoid being blindsided by the unexpected.
 - **Forgive yourself for small spending mistakes, and get back on track.** Most people overspend because they are buying impulsively. The next time you're tempted to make an impulse buy, ask yourself why you need it, if you can afford it, or if there is a way to get it less expensively. If you take a moment to think about what you're buying, you'll be more likely to make a choice that fits your financial goals.