

How to Budget

A budget is a plan for spending money. Now that you have learned about how to earn money in college, it's important that you know how to budget that money.

1. BUDGET AN AMOUNT FOR EACH EXPENSE.

Expenses are divided into different types:

FIXED EXPENSES are expenses you know you have to pay every month, the amount doesn't change month to month. An example would be rent.

VARIABLE EXPENSES are the expenses you incur for daily life. They occur monthly but the amount may vary. Items can include groceries, clothing, gasoline, etc.

PERIODIC EXPENSES are those expenses that are not paid on a regular basis, but rather when they occur. Examples include medical expenses, car repairs, etc.

2. FIGURE OUT YOUR NET INCOME.

Use your pay stubs and bank statements. Don't forget to include other sources of income such as money from financial aid or scholarships, money from your parents, or income paid in cash.

3. CALCULATE CASH FLOW (DISPOSABLE / DEFICIT.)

This tells you how much money you have left over every month. This should not be a negative number. If your cash flow is negative, reassign the amounts budgeted for expenses until you have a positive cash flow. For example, trim your entertainment budget to try to cut transportation costs. (But try very hard not to cut savings.)

4. TRACK THE MONEY YOU ACTUALLY SPEND.

At the end of the month, use your records to track what each expense actually costs. You can use bills, your checkbook, and receipts for cash purchases to keep track. If you signed up for online banking, reviewing all of your spending online will also be very helpful. If you're spending more than you budgeted, look for ways to cut back.

5. REVIEW YOUR BUDGET REGULARLY.

This will help you see how well you're meeting your goals and where you need to make changes.



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