

Budgeting Basics

There are a lot of budgeting tools, tricks and apps out there to help you manage your finances and unfortunately there's no one-size-fits-all answer for what works best for everyone. You will need to decide which system for managing your money works best for you. However, there are some key characteristics and steps to budgeting you do want to make sure you have in your financial management plan. It's also important to make sure you have a budgeting system that is flexible and will allow you to adjust as your goals and circumstances change.

The first step in creating a budget is to write down your goals, what is it you are trying to accomplish with your budget. Having a place to record your goals can help keep you on track with your spending and saving plan.

Next you will want to account for all your income. Start with paycheck income and then add in funds you receive from other sources such as SNAP-Benefits (otherwise known as food stamps), etc. After you have accounted for all your monthly income. Then track your expenses. You want to be as accurate as possible when listing your expenses. Track how much you typically spend on fun things like going to the movies or purchasing a wanted item as well as other items like food, clothing, and transportation. Look at everything you spend in a typical month. It helps to go back and look at receipts, transactions, and your bank and credit card statements. This is one area budgeting apps that connect directly to your bank and credit card accounts can be helpful. All of your transactions can be tracked automatically. Make sure you include what you put into savings and set aside for goals as expenses! This is really important in helping you build up your savings.

You want to make sure to account for special expenses. These are things like gifts for birthdays, holidays, family vacations and school registration. In a basic budget, add up what you estimate spending on each of these expenses and divide that number by 12. Add that number to your monthly expenses to set aside each month. For more in depth planning for special expenses visit: <https://extension.usu.edu/finance/faq/budget-for-non-monthly-expenses>. Whichever method you use, you will want to make sure this amount is set aside for your special expenses.

After you have calculated all your monthly expenses, subtract this number from your total monthly income. Ideally this number will be zero which means that every dollar that comes in has a job. If you end up with money not accounted for, this article has tips on where to assign those dollars: <https://extension.usu.edu/finance/faq/how-to-manage-your-cash-flow>.

Remember, when shopping for a budgeting app or creating your financial management system use a system that keeps your goals visible. This will help you stay on track. Use a system that will let you track money that comes in and money that goes out in as close to real time as possible and choose a method that will let you make adjustments to your budget as your circumstances change.

For more information visit: <https://extension.usu.edu/finance/budgeting-and-saving>

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