

Real World Budgeting Tips

When used as a guide, a budget can be incredibly empowering. Having a good understanding of your monthly saving and spending habits will allow you to make smart financial decisions that can position you for success in the long run. The key is finding a balance between living for today and saving for tomorrow. To avoid money-related stress and help you make smart financial decisions, here's how to create a monthly budget in five simple steps.

1 UNDERSTAND WHAT'S COMING IN. Figure out how much money will be coming in from your job, internship, and any side projects every month. Make sure you calculate total income after taxes.

2 ESTIMATE YOUR FIXED EXPENSES. Fixed expenses are the "essential" expenditures that don't change much from month to month and are necessary to help sustain your lifestyle. Fixed expenses can include things like:

- Rent
- Utility bills (water, electricity, internet, cell phone)
- Groceries
- Student loan payments
- Insurance (car, medical, dental, property, pet)
- Transportation costs (public transportation pass, car payments, gas)



Create a savings goal and treat your savings like a fixed expense. Decide on a percentage of your income that you'd like to save every month and add that to your list of fixed expenses. Set up an automatic deposit to help you save a set monthly amount. Before you know it, you won't miss that money at all.



3 ESTIMATE YOUR VARIABLE EXPENSES. Variable expenses are the “extras” or non-essentials that you can cut back on if necessary. Variable expenses may include things such as:

- Entertainment (concerts, movie tickets, sports events)
- Eating out
- Clothing
- Travel
- Subscriptions



Add in a buffer for “miscellaneous” expenses as well, like birthday gifts and other unexpected splurges.

4 DO THE MATH. Deduct your fixed expenses (including your monthly savings goal) and variable expenses

from your monthly income after taxes. In an ideal world, you will have a small surplus. If this surplus is bigger, you may consider increasing your monthly savings goal. If you end up with a negative number, scale back on your variable expenses or find a way to limit your fixed expenses.

5 KEEP YOURSELF IN CHECK. Think of budgeting as a habitual practice, rather than a one-time exercise. Life is full of ebbs and flows, and unexpected circumstances or lifestyle changes may arise that require a financial readjustment. Keep yourself in check by periodically monitoring your budget. There are a variety of online budgeting tools that can help you track your spending habits by syncing with your accounts and payment cards. Many of these tools allow you to set budget goals for each spending category and will send you alerts when payments are due or when you are at risk of exceeding your budget.



WINNING PLAYS to Stretch Your Budget

1 Pay bills on time. If you miss a payment, you may find yourself paying unnecessary late fees and overdraft fees. One way to avoid these penalties is to automate your payments whenever possible.

2 Cut down on small costs. A dollar here and a dollar there may seem insignificant in the scheme of things, but small costs can add up. For example, you can save thousands of dollars a year by cutting back on your coffee tab. Try keeping latté splurges to once a week instead of daily by investing in a coffee maker or sticking to the free coffee at work.

3 Make the most of credit card rewards and loyalty programs. While extreme couponing may not be for everyone, there are a plenty of way companies reward loyal customers. Research how you can optimize your credit card points and take advantage of loyalty cards or discounts offered at your regular spots. Cash back programs are another great way to save a few dollars every week.

4 Live Economically. Help curb your spending by considering more economical alternatives to routine activities. Shop in bulk. Pack a lunch. Host friends at your apartment instead of buying a round of overpriced pitchers at the bar.

Remember, life happens. Don't be too hard on yourself if you miss a target goal, it's all about finding the balance that works for you.

For more helpful resources including tips and insights on navigating the many milestones of adulthood, please reach out to me.