

Create a budget to manage your finances

Creating a Budget

A budget is a detailed written plan for how to spend your money. Creating a budget will help you combat the temptations of spending and take control of your money. A budget will help you:

- Meet monthly financial obligations.
- Make your payments on time.
- Increase savings for emergencies.
- Develop a road map for debt reduction.
- Prioritize expenditures.
- Plan for the future.

STEP ONE

The first step in creating a budget is to list out your income. This includes your main monthly income, any side jobs you are getting paid for and support or gifts you might be receiving.

Source of Income	Amount
Job	\$2,500
Gifts	\$50
Tutoring income	\$200
Total	\$2,750

STEP TWO

Track and analyze your expenses. Create a detailed spending record for at least one week or a month is best.

Categorize your expenses in order to see how much is being spent on specific items. Breakdown your expenses into Fixed, Variable and Periodic categories.

Fixed expenses – Are those that you pay the same amount at the same time each month (rent, cell phone, utilities, transportation pass, etc.).

Periodic expenses – Are those that you pay from time to time, but not on a set schedule (tuition or memberships, etc.).

Variable expenses – Are those that can change from day-to-day, week-to-week, or month-to-month (food, entertainment, etc.).

Date	Item Purchased	Place	Category	Amount	Type of Expense
March 1	Rent	The Building	Home expense	\$1,600.00	Fixed
March 10	Sam's Club Membership (one year)	Sam's Club	Membership	\$110.00	Fixed
March 12	3k mile oil change	Auto repair shop	Transportation	\$50.00	Periodic
March 14	Coffee	Coffee house	Food	\$7.99	Variable
March 14	Dinner with friends	Local restaurant	Entertainment	\$48.00	Variable

STEP THREE

Analyze your spending, so that your needs are covered before you splurge on wants.

Needs - The items that you must have for basic survival.

- Roof over your head
- Food to eat
- Gas
- Electricity

Wants - The things you desire, but can live without.

- New clothing
- Shoes
- Electronics
- Jewelry




STEP FOUR

Balance it out. The following principle: "Income - Expenses = Zero Dollars" allows you to budget all your funds.

Start With:

Your Total Income

Include all forms of income, including:

-  Main Monthly Income
-  Side Job Income
-  Gifts

Calculate and Subtract:



Expenses

Include all expenses, including:

- Fixed Expenses
- Periodic Expenses
- Variable Expenses



Savings

Add to your savings each month to use if an emergency arises

End With:

\$0

REMEMBER:

Zero dollars does not mean you're broke, it means that every dollar has been accounted for, including those added to your savings.

Subtract your savings, variable expenses and fixed expenses from your total income.

Your variable expenses will change each month depending on what's happening in your life!

SAMPLE MONTHLY BUDGET WORKSHEET

Your Total Income		Savings		Fixed/Periodic Expenses		Variable Expenses	
Biweekly Paycheck #1	\$1,250	Savings	\$270	Rent	\$900	Eating Out	\$120
Biweekly Paycheck #2	\$1,250			Utilities	\$100	Clothes	\$100
Tutoring Income	\$200			Student Loans	\$500	Movies	\$50
				Car Payment	\$250	Concert Tickets	\$50
				Insurance	\$100	Mom's Birthday Gift	\$60
				Tuition	\$150		
				Gas	\$50		
TOTAL	\$2,700		\$270		\$2,050		\$380
AVAILABLE	\$2,700		\$2,430		\$380		\$0

At the end of the month, income minus expenses should equal zero!

Remember a budget needs to work for you and should fit in line with your financial goals. A budget is a framework for you to play with, not a set of iron bars you are stuck behind.

About Master Your Card

Master Your Card is a community empowerment education program sponsored by Mastercard, that works with committed partners nationwide to bring information about the benefits of electronic payments technology for underserved communities to build brighter financial futures. The program has facilitated presentations and workshops in numerous cities around the country, provided financial education to tens of thousands of students and reached millions through partners' initiatives and education materials.