

Budgeting

Budgeting means to look at how much money you bring home each month and decide (by doing some simple math) how much you can spend on various things. I strongly suggest you write this out in a notebook or on a spread sheet each month.

Here is how you begin:

- In one column, write down your total monthly income.
- Below that, make a list of whom you owe money to.
- Next to each name, write down how much you need to pay them each month.
- Then simply subtract the amount you owe from the amount of money you are making and see what you have left.
- Your budget file might look similar to the following example.

Description	Date	Amount			
Fred's 1st Paycheck	8/1/2014	\$ 1,455.36			
Fred's 2nd Paycheck	8/16/2014	\$ 1,456.72			
Totals		\$ 2,912.08			
Name	Amt. Due	Date Due	Date Paid	Amt Paid	Check #
Rent	\$ 800.00	8/1/2014	8/1/2014	\$ 800.00	,10909
The Gas Co.	\$ 25.30	8/19/2014	8/11/2014	\$ 25.30	,10920
Electric	\$ 56.00	8/21/2014	8/11/2014	\$ 56.00	,10922
EnerBank	\$ 269.46	8/18/2014	8/11/2014	\$ 269.46	,10919
AT & T Cell Phone	\$ 146.19	8/28/2014	8/21/2014	\$ 146.19	,10928
AAA Car Ins.	\$ 122.20	8/18/2014	8/18/2014	\$ 122.20	auto debit
Ford Motor Cr. Co./USAA	\$ 412.04	8/27/2014	8/21/2014	\$ 412.04	,10923
Auto Trf to Savings	\$ 100.00	8/18/2014	8/18/2018	\$ 100.00	auto trf
Total In				\$ 2,912.08	
Total Paid Out				\$ 1,931.19	
What's left				\$ 980.89	
Gas in Car					
Groceries					
Lunch Money					

You can see in the example above that I've also included an "Auto Trf to Savings" of \$100 a month just for emergencies that might come up such as a flat tire. If you find you can save more, then you should. In this case, that still leaves \$980.89 for things like gas, groceries and lunch money.

It's a good idea to take this a step further by including numbers for those three items as well. It will help you to better determine if you have money left in your budget for other things, like

going out to dinner, purchasing birthday gifts or taking a trip to Las Vegas. In the case of a trip, you might want to save up for that by putting some money away in a *separate savings account* each month. The point here being, “out of sight, out of mind,” therefore you will be less likely to just spend it when the urge grips you.

One more huge tip: Ideally, your monthly income should always be four times your rent so that you have enough money left over for all the expenses mentioned here and throughout the rest of this handbook. As you can see in the previous example, this individual might be living on mac and cheese for a while if any emergency expenses come up.

All of these suggestions are referred to as “budgeting.” This process will help you avoid running out of money between paydays – also known as “living paycheck to paycheck” – and will help you sleep better at night.

Sincerely,

Janet M. Nast

Shifting to the Business of Life, A Survival Guide for Young Adults

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