

Lesson 2: How to create a personal budget

Step-by-Step Budget Creation

Step 1: Calculate Your Monthly Income

- Write down all sources of income.
- Use your net income (after taxes), not gross income.
- Be realistic; if income varies, use an average from the last 3 months.

Step 2: List Monthly Expenses

- Fixed Expenses: Rent, subscriptions, insurance.
- Variable Expenses: Food, gas, entertainment.
- Irregular Expenses: Gifts, car maintenance (estimate monthly average).

Step 3: Set Spending Limits

- Assign an amount to each expense category.
- Prioritize needs before wants.
- Always set a category for savings!

Step 4: Compare Income to Expenses

- If expenses > income, adjust immediately.
- Cut back on wants first (eating out, entertainment).
- Consider cheaper alternatives for needs if needed.

Tools to Help You Budget

Simple Tools:

- Notebook and pen
- Spreadsheet (Excel, Google Sheets)
- Free printable budget templates

Apps for Budgeting:

- Mint
- YNAB (You Need a Budget)
- EveryDollar

Creating tables makes budgeting way easier

Key Tip: Always track "Actual" spending to stay accountable.

Tracking Your Spending:

- Keep receipts.
- Use a daily spending journal.
- Review weekly to catch problems early.

Staying Flexible and Reviewing

Reviewing Your Budget:

- Check your budget at least once a month.
- Adjust for any changes in income or expenses.

Staying Flexible:

- Life happens. Unexpected costs can occur.
- Build a "buffer" category for emergencies.
- Move money between categories if necessary but avoid touching savings unless urgent.

Improving Over Time:

- After 2-3 months, patterns will emerge.
- Look for categories where you overspend.
- Set small goals: e.g., "Save \$20 more next month."

Motivation Tip:

- Celebrate small wins!
- Saving \$50 this month is better than saving nothing.