

Lesson 3: Adjusting Your Budget When Your Situation Changes

Recognizing When You Need to Adjust

Life Events That Require Budget Changes:

- New job or job loss
- Pay raise or pay cut
- Moving to a new home
- Major purchases (car, house)
- Family changes (marriage, new baby)

Signs You Need a Budget Adjustment:

- You're spending more than you earn
- You're unable to save as planned
- Your goals have changed (new priorities)
- You're using credit cards for necessities

How to Prepare Mentally:

- Change is normal.
- Budgeting is flexible, not rigid.
- Adjusting means staying in control.

Steps to Adjust Your Budget

Step 1: Recalculate Income

- Update all sources.
- Use the most current numbers.

Step 2: Review and Prioritize Expenses

- Identify non-essential spending.
- Focus on needs first (housing, food, utilities).
- Delay big purchases if possible.

Step 3: Update Your Spending Limits

- Reduce limits in "wants" categories first.
- Reassign money where needed (e.g., more to healthcare if needed).

Step 4: Rebuild Emergency Savings

- If you dipped into savings, plan to rebuild slowly.
- Even \$10-\$20 a month helps.

Example:

- Lost a part-time job? Cut dining out, subscription services, and shopping trips.
- Received a raise? Boost savings and pay off debt faster before increasing spending.

Staying Positive During Budget Changes

Tips for Staying on Track:

- Focus on what you can control.
- Keep financial goals visible (vision board, reminders).
- Celebrate even small budgeting victories.

Mindset Matters:

- Think of budgeting as empowerment, not restriction.
- Remember: Adjusting your budget is a smart, strong move.

Building Resilience:

- Set mini-goals each month.
- Reflect at month-end: What worked? What can I improve?

Real-Life Scenario:

- Maria lost her retail job.
- She redid her budget.
- She paused subscriptions, cooked at home, and used public transport.
- In 6 months, she built a new career path and started saving again.