

BUDGETING.

It pays to plan.

Putting together a budget is something that many people intend to do but often fail to get done. There are also many negative connotations around the term “budget.” Many people assume that a budget is all about deprivation, as in “I can’t go out to eat because I’m on a budget” or “I can’t replace the light bulb because I’m on a budget and I’ve already spent my light bulb allotment this month.” The major thing that you want to shoot for with a budget is pretty simple; you need to spend less than you earn.

Telling you how you should manage your money is not going to “fix” your problem spending areas. Many students agree that there are areas where they’d like to cut back their spending, but few take an honest look at how they spend money today in order to make decisions about how they’d like to spend their money in the future. A great way to see how much you know about your financial situation is by going through our monthly budgeting sheet and filling in the “estimate” column. Once you get the real numbers together you can compare and have a good idea of whether you have a knack for knowing how you spend your money.

LITTLE THINGS ADD UP

It’s difficult to make decisions on how you’d like to manage your money if you’ve never taken a look at where you spend it. To get the real picture on your finances, try keeping a spending diary for the next month or so. Every time you buy something, write it down. Once you’ve tracked for a month, take your spending diary and your checkbook and bank/credit card statements and put together the real picture on where money goes in your life. The information that you gather with your spending

diary will show you some habits that you may not be aware of. Consider that if you download three songs a week at \$.99, you’re on track to spend \$155 per year. You may also find that eating out may be costing a lot or you may find another expense area that is costing you a lot of cash.

The small stuff is what breaks most people’s budgets because they’re not aware of small dollar amounts being spent here and there. These miscellaneous expenditures are what can help you to build a budget you can live with.

MONEY COMING IN

Once you’ve gathered up your spending diary, bank statements, checkbooks, and credit card statements, you can fill in the rest of the monthly budgeting sheet. Start with income, using your take home pay. For many students, their student loan may be their only source of money. Once you’ve put all money streams down, you can total up your monthly income.

MONEY GOING OUT

Now that the fun part is done (money coming into your life), it’s time to take a look at expenditures. Our budgeting form has a lot of different sections in it with a lot of categories. This is not meant to intimidate but rather to remind you of some spending areas you may not normally think about. A lot of sections won’t apply to you and it is normal to have a lot of blanks. The first few sections focus on basic expenses such as housing, utilities, and transportation expenses.

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Next, we get into food and entertainment. You may be surprised at how much some of these areas add up to on a monthly basis. You'll likely find some areas in this section where you may want to cut back to get your budget under control. You may also need to plan ahead for expenses that you know you're going to have. If you're an avid skier, you won't spend a lot on it during the summer, but you'll need to plan ahead for the winter months to avoid financial emergencies.

Family expenses are an area that many students don't have to deal with much beyond gift giving. If you have children, you'll find that this is probably your most expensive area, particularly if you are paying for child care, etc.

The miscellaneous area will hopefully catch any areas that have been missed. This is a good place to put those expenses that don't fit anywhere else. A lot of the expenses in this area and in entertainment are values-based money decisions. You'll likely have an emotional reaction to areas where you feel that you overspend.

The next section has space for your monthly savings. Financial experts recommend that you "pay yourself first." Experts recommend that you save around 20 percent of your income. While you're in school, \$20 a month would be helpful for any emergencies that might come up. The more you save at a young age, the longer you have for investments to work in your favor. If you're fortunate enough to have your finances in good order, try to increase your savings by 1 or 2 percent each year to build a healthy nest egg for the future.

THE POWER OF COMPOUNDING

If you were to save just \$600 per year starting at age 20, you would accumulate more than \$77,000 in interest by the time you reach age 65. Saving \$100 per month, \$1200 per year, would net over \$155,000 in interest. These examples assume a 5% interest rate. Imagine the power of compounding if you were able to put away even more money and in a higher interest rate bearing account!

Most students don't actively try to pay down their debts while in school. It's very important to keep track of how much debt you have so that you're aware if things get out of control. Check out our information sheet on working with debt for tips on keeping this section under control. For this section you'll want to fill in your minimum monthly payments that you need to make in order to stay current.

After you've filled in the debt section, have a cup of tea and take some nice cleansing breaths. You'll want to finish this up by adding up all of your expenses and minimum payments and entering them in the summary section. Subtract these from your income and hopefully you'll have a bit of money left over. If you do, congratulations and consider sending it to savings or to pay down debt.

If you're spending more money than you're bringing in, take a look at places to cut back. Whether it's eating out less often or cutting cable or whatever you're concerned about, give some choices a try and see if you can get to a point where you spend less than you earn. The more you can do to build a budget you can live with, the less likely you are to graduate with mountains of debt.