

# **How to Make a Personal Budget in 5 Easy Steps**

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A personal budget is a summary that compares and tracks your income and expenses for a defined period, typically one month. A budget will show you how much money you expect to bring in, then compare that to your required expenses—such as rent or eating out.

A written, monthly budget is a financial planning tool that allows you to plan how much you will spend or save each month. It also allows you to track your spending habits.

## **HOW TO MAKE A BUDGET IN FIVE SIMPLE STEPS**

### **1. CALCULATE YOUR INCOME:**

How much income can you expect each month? If your income is in the form of a regular paycheck then using the net income

amount is fine. If you are self-employed record this total income as a monthly amount.

## **2. CREATE A LIST OF MONTHLY EXPENSES:**

Write down a list of all the expenses you expect to have during a month. This list could include:

- Rent
- Car payments
- Groceries
- Utilities
- Personal care
- Eating out
- Childcare
- Transportation costs
- Travel

- Savings

### **3. DETERMINE FIXED AND VARIABLE EXPENSES:**

Fixed expenses are those mandatory expenses that you pay the same amount for each time, these include items like mortgage or rent payments, car payments, regular childcare etc.

Variable expenses are the type that will change from month to month, such as:

- Groceries
- Fuel
- Entertainment
- Eating out
- Gift

### **5. TOTAL YOUR MONTHLY INCOME AND EXPENSES:**

If your income is higher than your expenses, you are off to a good start. This extra money means you can put funds towards areas of your budget, such as savings or paying off debt.

If your expenses are more than your income, that means you are overspending and need to make some changes.

After you have set up your budget, you must monitor and continue to track your expenses in each category, ideally every day of the month. Recording what you spend throughout the month will keep you from overspending and help you identify unnecessary expenses or problematic spending patterns. Take a few minutes each day to record your expenses, rather than putting it off until the end of the month.