

Can You Really Budget On Minimum Wage

Minimum Wage Is Not A Lot Of Money

For those living on minimum wage, managing their finances can be a daunting challenge. With the median household income of \$61,937, most people struggle to make ends meet even at this level. But for those making the minimum wage of \$7.25 an hour or less, life is an ongoing financial balancing act.

Between rising costs for food, housing and other necessities and stagnant wages that often haven't budged in years, many low-wage earners find themselves hard pressed to make enough money just to survive, let alone save any for retirement or other future expenses.

And Wages Aren't Increasing

At the same time that expenses are climbing, wages remain static – or worse yet — decrease due to inflation. This means that workers at the lower end of the pay scale can't buy as much with their paycheck as they used to be able to a few years ago.

In fact, despite working full time hours (or sometimes even more than 40 hours per week), many people living on minimum wage simply cannot afford basic necessities like food and clothing without taking out loans or relying on public assistance programs such as food stamps and rental assistance programs.

And in order to stay afloat financially during times of economic hardship, many are forced to take additional jobs (often on a part-time basis). The resulting lack of job security leaves them vulnerable if one of the employers reduces their hours or eliminates their position altogether.

Budgeting Is Important, But It Doesn't Fix Everything

Budgeting is one way for those living on minimum wage to maximize what little money they have so that it goes further and helps them meet their basic needs more easily each month.

However, budgeting isn't always enough -- especially when there are unexpected expenses or emergencies that arise which require more than what's allotted in a typical budget. In such cases, individuals may need to rely on credit cards or payday loans -- both of which can quickly lead them into debt if not properly managed.

Retirement Savings Suffer Too

Additionally, saving for retirement is almost impossible with these incomes since so much of what's earned must go towards basic necessities in order for individuals just to get by day-to-day. Those who do manage to allocate some funds towards retirement accounts often have difficulty setting aside enough each month due to liquid asset limitations stemming from low incomes combined with high living costs like rent and utilities bills eating away at disposable income every month.

Finally, lack of financial education can also create serious problems for people living on minimum wage since it's difficult for them to accurately assess investment opportunities (such as stock market returns) or understand how various types of insurance work – knowledge which could help them protect themselves against financial losses when unforeseen events occur in their lives such as an unexpected medical bill or car repair cost.

The Bottom Line Of Living On Minimum Wage

The challenges facing those living on minimum wage are severe and far reaching – but there are ways that individuals can attempt minimize these issues through careful budgeting practices combined with access financial resources through government agencies designed specifically with this population in mind such as 529 college savings plans offered by many states which provide tax incentives for families who want save up for higher education opportunities for their children down the road even when current income levels don't allow them much room in terms of disposable income or investment opportunities right now.

Ultimately though, much more needs done in order ensure that everyone has access quality health care coverage regardless whether they hold full time jobs with benefits or whether they must rely solely on state funded insurance programs while still having enough left over after bills each month so they can plan ahead and save up against unforeseen events in future should they occur instead being forced into specific courses action due dire circumstances created by lack adequate wages today.

National Financial Education Standards Addressed In This Article
2.8.1d