Getting Started with Your Budget

Understanding income, expenses, categories

By Dennis Byrd
Estimated reading time: ***(e.g., 2–3 minutes)***

Budgeting doesn't have to feel restrictive, overwhelming, or technical. At its core, a budget is simply a plan for your money—one that helps you decide where your income should go before it disappears on you.

If you've ever wondered *where your money went*, felt unsure about what you can afford, or felt stressed when bills pile up at the same time, you're not alone. This guide is designed to give you a simple, practical starting point so you can build a budget that actually works in real life.

Start with the Big Picture

Before worrying about spreadsheets or apps, start with one simple idea:
Your money should reflect your priorities.

A good budget doesn't tell you "no" to everything—it helps you say "yes" to the things that matter most, without guilt or surprises later. That starts by understanding three basics:

1. How much money comes in
2. Where your money goes
3. How to organize those expenses in a way that makes sense

That's where budgeting categories come in.

The Major Budget Categories (and What They Include)

While everyone's budget is a little different, most successful budgets are built around a few core categories. Think of these as buckets for your money.

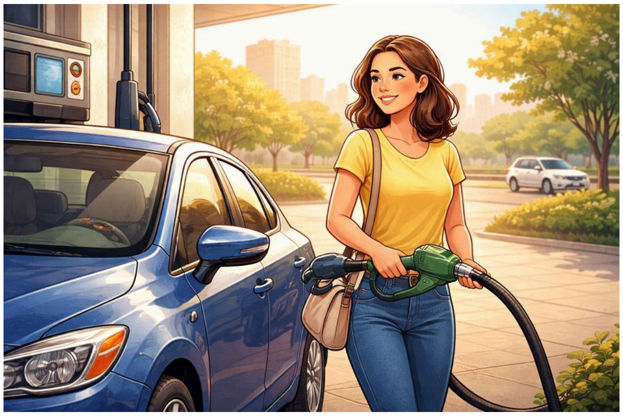
1. Housing

This category covers the cost of having a place to live. It often includes:

- Rent or mortgage
- Property taxes and insurance
- Utilities like electricity, water, and gas
- Internet and basic home services

Housing is usually the largest expense, so understanding this category first gives you instant clarity.

2. Transportation



Transportation is more than just a car payment. This category often includes:

- Car loans or leases
- Fuel
- Insurance
- Maintenance and repairs
- Registration and tags

3. Food

Food expenses are easy to underestimate. This category typically includes:

- Groceries
- Dining out
- School lunches or work meals

Separating groceries from eating out can be especially helpful—you'll quickly see where adjustments are possible without sacrificing enjoyment.

4. Personal & Lifestyle

This is where everyday life shows up. Common items include:

- Cell phones
- Streaming services
- Clothing
- Personal care
- Entertainment
- Hobbies and subscriptions

5. Debt & Obligations

If you owe money, it belongs in its own category. This often includes:

- Credit cards
- Student loans
- Personal loans
- Medical bills

Seeing all debt together helps you make better decisions about progress and priorities.

6. Savings & Goals

Savings isn't what happens *if* money is left over—it's something you plan for. This category may include:

- Emergency savings
- Upcoming irregular expenses
- Long-term goals
- Giving or generosity

Calculator: Smart Budget Percentages

Moving From "Average" to Intentional

Once you understand the above categories, the next step is knowing **what to aim for**.That's where this calculator becomes especially useful—not as a rulebook, but as a comparison tool.

Step 1: See Where the Average Household Lands

Start by entering your monthly take-home income into the calculator and pick the budget profile you want to compare to. - such as a **typical household**. This view represents how many American households typically allocate their money today. It's not right or wrong—it's simply a snapshot of common behavior.

For many people, this is an eye-opening moment. You may notice patterns like:

- A higher percentage going toward housing or transportation
- Less money allocated to savings
- Very little margin for unexpected expenses

This step gives you context. It answers the question:
"How does the average household usually handle money?"

Step 2: Switch to a Budget-Minded Target

Next, adjust the calculator to a **budget-minded target**—a version of the budget designed to support stability, flexibility, and long-term progress. This view shifts money intentionally:

- More room for savings and reserves
- Clear limits on lifestyle spending
- Better balance between needs, wants, and future goals

Think of this as a *direction*, not a mandate. The goal isn't to match it perfectly today. The goal is to see what a healthier, more resilient budget *could* look like.

Step 3: Compare the Two Side by Side

Now comes the most valuable part: comparison. Ask yourself:

- Where am I spending more than the average household?
- Where am I spending less?
- Where does my current spending differ most from the budget-minded target?

These differences highlight **opportunity areas**, not failures.

For example:

- If transportation is higher than both averages, that may be a long-term adjustment area.
- If savings is lower than the target, that becomes a future goal—not an immediate sacrifice.

Step 4: Set Realistic Targets

Use the budget-minded view to define **your own personal targets**. You don't have to jump from "average" to "ideal" overnight. Instead:

- Pick one or two categories to improve gradually
- Use the calculator to test small changes
- Revisit it as your income or expenses change

Over time, your personal budget can move closer to the target that reflects *your* priorities—not someone else's expectations.

Build Simple, Then Improve

Your first budget doesn’t need to be perfect. In fact, it shouldn’t be. Start simple. Use broad categories. Focus on the biggest expenses first. As you get more comfortable, you can refine things—breaking categories down, planning ahead for future expenses, and setting clearer goals. The most important step is starting.

What Comes Next?

Now that you understand:

- Budget categories
- How average spending compares to intentional targets
- How to use the calculator as a planning tool

You’re ready to go deeper.

In upcoming newsletters, we’ll cover:

- Turning targets into monthly action steps
- Planning for irregular and surprise expenses
- Making progress on debt without burnout
- Adjusting your budget as life changes

Budgeting isn’t about perfection—it’s about progress.
And progress starts with clarity.