Budget Content

So you’re in high school now. Everyone around you is boasting about the latest clothes, the coolest tech and the all the concerts and events they plan on going to. All of those things come with a hefty financial burden and most high school students just like to spend everything they have now without looking to the future. This section will teach you the basics about saving money, preparing for unexpected costs and prioritizing where you should be spending your money (Hint: You shouldn’t be spending it on an overpriced Jacket)

Step 1: Know your Income

The first step to creating an effective budget is knowing how much money is going to be coming into your bank account. Most employers give out work schedules in advance so you have an approximate idea of how much you will be making in a specific time period.

Step 2: Figure out your fixed and reoccurring Expenses

One thing you should keep in mind, going out to grab some pizza for lunch is not a fixed expense. A fixed/reoccurring expense is something that is needed for you to function for example your phone bill, groceries and even haircuts. If you are fortunate enough to have a car, gas and insurance would also be considered a fixed expense. Calculate your total **monthly** fixed expenses by adding them up and call it restricted cash. Subtract your restricted cash from your **monthly** income because these are the costs that you know for sure you will be incurring.

Step 3: Allocating for Unexpected expenses/Emergencies

Since you are still young, you may not have to worry about too many unexpected expenses. But as you grow older, this will become a very important part of your budget because you will own things that have much more value (such as a car) which increases risk of unexpected expenses. An unexpected expense is an expense you weren’t expecting on incurring (no way??). Typically, you should budget 5-10% of your budget left over after completing step 2 towards these expenses.

Step 4: Saving

Saving for the future is essential and you should start now. Once you start, you won’t even notice the reduction in spending money because you will eventually get used to the reduced budget. Typically, it’s recommended that 30% of your budget left after step 3 be allocated towards a savings account you will never touch.

Step 5: Entertainment (Are you not entertained?)

Having fun isn’t hard, when you’ve got a library card! Jokes aside, entertainment is a crucial part of keeping yourself happy. I’m going to show you that you don’t have to break the bank to have fun. After step 4, take the budget you have left and multiply by 35%. This will give you your entertainment budget. Keep in mind that you will reducing the percentage you multiply your leftover budget with as you make more income. If I had $2000 left over from step 4, I wouldn’t be allocating $700 to my monthly budget for entertainment as that is excessive.

Step 6: What to do for the rest?

Now you have some leftover money after all these steps. You can put this money towards buying something for yourself such as clothes OR you can choose to save it. Remember, just because you have left over money, doesn’t mean that you have to spend it if you do not need to.

Step by step walkthrough:

1. Total Income per month: $500
2. Total fixed expenses per month (restricted cash): $100
3. This leaves you with $400 per month to work with.

Unexpected expected expenses per month (using 10%): $400 X 0.10 = $40

This means that your restricted cash is now at $140 per month and you have $360 left to work with from your original budget of $500

1. Monthly Saving (using 30%): $360 X 0.30 = $108

In your savings account, you should be accumulating $108 every month and now your working budget sits at $252.

1. Monthly Entertainment (using 35%): $252 X 0.35 = $88.20

Your working budget now sits at $163.80

1. Treat yourself or save (Hint: this is better unless there is something you really need to purchase)