

## **Budgeting Basics**

**What is a Budget?** A budget is a spending plan. It is an estimate of how much money you have coming in (income) and where it goes (expenses) for a certain time period, usually a month.<sup>35</sup> It is a principle tool for financial success.

**When creating a budget, is important that you:**

- Understand how it works and know what works for you
- Feel comfortable with using this tool
- Allow yourself some freedom to make changes as needed

**Making a personal budget can help you:**

- See more clearly where your money goes
- Save money toward a particular goal
- Give you peace of mind about your finances
- Put you in control of your finances
- Reduce stress over unpaid or late bills
- Pay off debts
- Realize your full financial potential

While creating a budget is an important tool for your financial security, sticking to the budget you create is equally as important. Since most people experience unexpected expenses from time to time, or changes to their income, you should consider your budget a living document, which means you may need to adjust your budget as your income or expenses change.<sup>36</sup>

The key to a successful budget is a commitment to making a real change in your spending habits. Attending financial classes and learning new tools is an amazing first step, but it needs to be followed-up with action. In order to improve your financial situation, you will need to commit to making fundamental changes in your financial behavior that are directed *by you, for you*.

Beginning the process of budgeting can be daunting, especially if you have never used a personal budget before. It is important to find a budgeting template or tool that works for your needs and lifestyle. We have provided a few budget templates you can choose from, as well as suggestions for budgeting apps and websites. The most important thing is to **make it work for you**.

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<sup>35</sup> Lauren Schwahn. "What is a Budget?" *Nerdwallet*, Dec. 18, 2020. <https://www.nerdwallet.com/article/finance/what-is-a-budget>

<sup>36</sup> Original material from Peerlink National Technical Assistance Center.