

3.9: Basic Budgeting

Budgeting is an important step in managing your money and spending habits. A **budget** is a plan to balance income and expenses, which may also include saving money for future use. To create a budget you need to identify how much money you are spending. Some expenses to keep in mind when creating a budget are rent, car payment, fuel, auto insurance, utilities, groceries, cell phone, personal, gym membership, entertainment, gifts, dining out, medical expenses, etc.

There are several apps out there that can help you budget your money. Just a few examples are Mint, Manilla, and Goodbudget. These are all free apps that help you keep track of bills and your accounts. Your bank also keeps track of your spending and what categories each item falls under. Log into your bank account online and look for “Track Spending” or a similar item. Many banks give you a pie chart showing you how much you spent in each category in the last month. You can edit your categories, change the number of months, and sometimes even set a budget goal.

Table 3.9.1: Example of Budget in Excel

When you are creating a monthly budget, many experts say if you want to have control of your money, you should know where every dollar is going. In order to keep track of this, a written budget is essential. Below is one example of a budget in Excel. This was a free template from the “Life After College” blog. There are hundreds of free templates out there so you should find the template that suits you the best – or create your own Excel budget!

Four-Step Budget Template		Last Updated:
Brought to you by Jenny Blake		(Insert date here)
Life After College Blog: http://lifeaftercollege.org		
Life After College Book: http://amzn.to/jennyblake		
Related post: http://bit.ly/VuSJB		
<i>Note: Enter amounts in Column B and the totals will automatically calculate.</i>		
Step 1: Income		
<i>This includes: paychecks, side jobs, anything that brings money into your bank account.</i>		Notes:
Income Source: (Fill In Name)		
Income Source: (Fill In Name)		
Income Source: (Fill In Name)		
TOTAL	\$0	
Step 2: Must-Have Expenses		
<i>This includes: Rent, utilities, cell phone bills, anything that will incur late fees. Includes other essentials like groceries and automatic savings account deductions. Saving is a must!</i>		Notes:
Rent or Mortgage		
Utilities		
Cell Phone Bill		
Savings 1		
Savings 2		
Other (add rows as needed)		
TOTAL	\$0	
Step 3: Nice-to-Have Expenses		
<i>This includes: things that you KNOW you spend money on every month like going out to eat. This does not include: one-off purchases (like a TV), major shopping trips, major travel (unless you take frequent weekend trips).</i>		Notes:
Going out to eat (estimate)		
Fill in...		

TOTAL	\$0	
Step 4: Allowance		
<i>Subtract your total expenses from your income to get your allowance. This is the money left-over each month for you to spend as you'd like - shopping, weekend trips, etc.</i>		
<i>For bigger purchases, you may want to start a separate savings account and add that deduction to your "must have" column.</i>		
<i>To get a weekend allowance, divide this number by four. If you're really serious, take the "weekend budget" amount out in cash to monitor your spending even more closely.</i>		
TOTAL	\$0	

(“Four-Step Budget Template,” n.d., <https://docs.google.com/spreadsheets...mplate/preview>)

✓ Example 3.9.1

You make \$32,000 a year and want to save 10% of your income every year. How much should you put into savings every month?

Solution

$$\$32,000 \cdot 0.10 = \$3200$$

You want to save \$3200 a year.

$$\frac{\$3200}{12} = \$266.67$$

You should be saving \$266.67 a month or \$133.33 a paycheck if you are paid biweekly.

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