

Empowerment through Financial Education

A Program of the Southeastern Credit Union Foundation

Budgeting Basics

Creating a budget and sticking to it can help you save and reach your short- and long-term financial goals. **This is not a one-time exercise.** If you find you are not able to stick to your budget, it may mean you are spending beyond your means or that your budget is not flexible enough. Take the time to review and readjust your budget monthly until you find a plan that works for you.

Key Components of a Budget:

- **Fixed expenses** are expenses that stay the same from month to month, such as rent payments.
- **Flexible expenses** are expenses that change from month to month, such as how much you spend on utilities.
- **Total expenses** are the combined amount of your fixed and flexible expenses.
- **Total monthly income** is the income from your job or other resources including investment dividends, pensions, Social Security benefits, rental income and more.
- **Disposable income** is the money you have left over after you subtract your income taxes from your income.

Create a Monthly Budget

To create your monthly budget, use this basic [budget worksheet](#) or one of [these](#).

1. Calculate Income: determine your income by listing monthly income including salaries, interest, pension, and any other sources, such as a spouse's income. If you earn a salary, be sure to list your take-home pay rather than your gross pay. If taxes aren't taken out of your paycheck, remember to include them as an expense.
2. Estimate Expenses: Divide your expenses into fixed expenses and flexible expenses. If some of your expenses significantly change each month, estimate the monthly expense with a three-month average of the expense.
3. Figure out the difference. Once you've totaled up your income and expenses, subtract the expense total from the income total to get the difference. It's a simple step that can reveal a lot about your spending habits. If the result is a positive number, congratulations – you're spending less than you earn. If it's negative, you will need to trim them to begin living within your means.
4. Track it. Creating a budget is just the first step. Use the [expense register](#) to keep track of your monthly income and expenses to make sure you're sticking to your budget. It may take time to find the balance that works for you.

Helpful Tools!

- [ADP's Paycheck Calculator](#) and the [IRS's Tax Withholding Estimator](#)
- Trimming Expenses Resources: Consumer Finance's [Worksheet](#)
- Build an Emergency Fund: Building a substantial emergency fund that covers between three- and six-months' worth of living expenses is key to a secure financial foundation. Check out the [Emergency Fund Calculator](#) to get started.
- Manage Debt Load: Whether you're working on paying off a mortgage or student debt, take time to evaluate how to pay down your loans most effectively. Utilize this [Debt Payoff Template](#) to calculate your debt payoff plan.

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