

Making a Budget

A budget helps you make sure you'll have enough money every month. Without a budget, you might run out of money before your next paycheck. A budget can also help you save for your goals or emergencies.



What is a budget?

A budget is a plan you write down to decide how you'll spend your money each month.

A budget shows you:

- ▶ how much money you make
- ▶ how you spend your money

You might see that you can spend less money on some things and more money on other things. You also might see ways to save money.

How do I make a budget?

Start to make a budget by gathering your bills and pay stubs. Use the **Budget Worksheet** at consumer.gov/budgetworksheet to help you.

When you have your bills and pay stubs:

Step 1:

Make a list of your bills and other expenses and the amounts. Bills include things like rent, electricity, water, or telephone service. Expenses are things you spend money on, like food, gas, clothes, and entertainment.

Step 2:

Use your pay stubs to write down how much money you make each month. This is called income. Also include any other money you get, like child support.

- ▶ Some people don't get paid every month. If you don't get paid every month, use your income from last year to estimate your monthly income. Add all your income last year. Then divide that number by 12 to find a monthly income estimate.



Step 3:

Subtract your monthly bills and expenses from how much money you make in a month. This number should be more than zero. If the number is less than zero, you're spending more money than you make. Look for things in your budget you can change.

How do I use my budget?

A budget is something you use every month.

- ▶ At the beginning of the month, make a plan for how you'll spend your money that month.
- ▶ Then each day, write down what you spent.
- ▶ At the end of the month, see if you spent what you planned.
- ▶ Use the information to help you plan the next month's budget. Are there things you want to spend less money on next month?

You can put leftover money into savings every month — maybe an account at a bank or credit union. Saving money can help you during an emergency, or if you need to pay for something bigger, like a car or trip. You can even make savings one of the expenses you include in your budget.

