

Financial Strategies: Monthly Budget

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Everyone in the family has responsibility to understand their finances. From elementary youth that manage their allowance to high school students with their first job and paycheck, budget skills are important for all.

As you understand your spending, you can manage your finances that reduce your anxiety and financial stress through difficult times. In this section, we will help you set your priorities and manage your budget in meeting your daily needs and planning for the future.

Impulsive buying, such as buying expensive clothing when you do window shopping, can run you into debt. When you do budgeting, the very first thing is to know the resource constraints you face. Then, you can budget your spending by comparing monthly income (Worksheet 1) to monthly expenses (Worksheet 2). The following outlines some practical steps in putting together a monthly budget.

- 1. Identify income sources** - Worksheet 1: List your current income sources other than salaries or wages, such as gifts, dividends, tips, bonuses, commissions, or saving interests. If your income is uncertain, you might need to develop a few scenarios (including the worst-case scenario) on how your expected income would be to support your living.
- 2. Identify expenses** - Worksheet 2: There are two types of expenses. (a) Fixed expenses – expenses that are the same each month, such as rent, mortgages, cell phone charges, repayment of car loans, medical insurance, payroll deductions for retirement (401K), monthly savings plan, etc. (b) Variable expenses - expenses that change each month, such as food, clothing, household supplies, electricity and water bills, gas, entertainment, etc.
- 3. Develop a monthly budget:** Subtract total expenses from total income. If your expenses exceeded your income, you would need to go through each spending

item and find out what must be spent and what can be spared. In addition, you may need to set aside an amount to cover at least three months of expenses in a savings account to cover for any emergency situations. If you had money left over after deducting all your expenses, you could keep them in your saving account to prepare for rainy days or invest in a saving plan.

Using the step-by-step approach above to develop a monthly budget, you should be able to make wise spending decisions.

Questions to ask yourself when you are about to purchase an item:

- Do I really need this product?
 - If you don't need it, why do you still want it?
- Is this item essential for me or my family's well-being?
- If you buy it now, will you have enough money for other things?
- Will making this purchase take money away from paying off any debts you owe?
- What if this product goes on-sale soon?
- Could you find this, or a similar non-brand, product somewhere else cheaper such as online or second-hand stores like salvation army?
- If you make this purchase on another day, will you get yourself or your family in trouble?

Answering these questions should help you prioritize your spending and make sure you can afford a product hassle-free before you ever buy it.

Worksheet 1 - MONTHLY INCOME

Wages	
Child support	
Unemployment benefits	
Food stamps	
Veterans benefits	
Unearned income (stocks, bonds, real estate)	
Total income	

Worksheet 2 - EXPENSES

Fixed expenses	
Rent/Utilities	
Payroll retirement deductions	
Contributions	
Loans (e.g. car, mortgage, student loan)	
Insurance (e.g. car, medical)	
Savings	
Charity (e.g. Ayuda, Manelu, Guma Mami)	
Emergency fund	
Total fixed expenses	

Variable expenses	
Food	
Telephone	
Clothing/Personal Care	
Household Supplies	
Medicine/Health Supplies	
Entertainment	
Transportation (e.g. gas, bus)	
Other	
Total income	

For further information:

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References

The information in this section was adapted from the Purdue Extension Publication on “Set Priorities for Spending (CFS-704-5-W)” at www.ces.purdue.edu/extmedia/CFS/CFS-704-5-W.pdf.

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