

# Build a Budget

Many people today are unaware of how much they spend, what they can afford, and what they owe. Not being aware of these things often leads to overspending and debt. *This situation can be avoided by having a budget.*

## Steps for Building a Budget

*A budget is a plan that helps you decide how you're going to spend your money over a designated period of time. To create a budget, follow these steps.*

- ▶ **Select a time period.** Choose a time period that works for you (such as one week or one month).
- ▶ **Enter your income.** Figure out your total income for that time period.
- ▶ **Categorize your expenses.** Think about what you spend your money on and create a list of expense categories that makes sense to you (for example, Eating Out, Car Loan, Cell Phone, Clothes, Entertainment).
- ▶ **Determine if each expense is fixed or flexible.** Fixed expenses are the same every time period, such as a car loan. Flexible expenses, such as dining out, usually change each time period.
- ▶ **Take each category and budget a dollar amount for that time period.** Put your fixed expenses into your budget first. This will help you determine how much money you have for flexible expenses.
- ▶ **Keep track of your spending.** Enter all of your expenses into a spreadsheet or budgeting app.
- ▶ **Review and balance your budget.** At the end of your budget period, compare your income with your expenses. If your income exceeds your expenses, you have money to save. A "negative balance" reveals that you are spending more money than you're taking in.

