



LIFE *Then* FINANCE

Personal Finance Literacy - Empowering Our Generation

CREATING A BUDGET - CHEAT SHEET

- The best way to acquire financial security is to have a sound budget.
- The backbone of any budget is based on how much you make.
- When budgeting, it's critical that you use your *net income* as opposed to the gross.
- If you have a variable paycheck, using a close estimate should suffice in most situations.

Fixed expenses don't usually change, such as your mortgage or car payments, property taxes, and so on.

- Take some time to make a list of your fixed expenses and total the result.

Variable expenses vary from month to month.

- The good thing about variable expenses is that you can change them.
- Take a few minutes to list your variable expenses and total the result.
- A good strategy is to go through your recent credit and debit card purchases to see where your money is going.

Non-essential expenses are things we *want*, but don't necessarily *need*.

- A good test of willpower before making any purchases over \$50 is to ask yourself: "*Is this a want or a need?*"

- Make a list of non-essential expenses and their total.
- Ask yourself: *Do I need everything in this list? Is there anything I can cut out without losing the lifestyle I desire?*

Write down all your fixed, variable, and non-essential expenses and add up the total. This total will be your base expenditure for the month.

- The only way to create a workable budget is to adhere to this one simple rule: ***Earn more than you spend.***

Self-Reflection Questions:

1. How much do I spend every month?
2. What are my *variable* and *non-essential* charges? How can I reduce these?
3. What level of income do I need in order to earn more than I spend?

Action Tips:

1. Write down your income and expenses on a notepad or use a spreadsheet. Financial software, like Quicken, can be helpful in creating your budget.
2. Come up with as close a figure as possible for your variable expenses like groceries or entertainment.
3. Trim your variable and non-essential expenses until you're spending *less* than you make.