

# Budgeting for Beginners

*Getting started with your household budget.*

Provided by Citizens FSB

**Budgeting towards needs and goals.** One of the objectives of creating a household budget is that, as time moves on and the various household members advance in their careers, they are likely to make more money. Knowing where that money goes can help direct that money to not only meet your day-to-day needs but also to potentially realize your financial goals. Rent payments may become mortgage payments, and socking away a few bucks into your savings each payday could change into an effective financial strategy involving various investment tools.<sup>1</sup>

Remember that investing involves risk, and the return and principal value of investments will fluctuate as market conditions change. Investment opportunities should take into consideration your goals, time horizon, and risk tolerance. When sold, investments may be worth more or less than their original cost. Past performance does not guarantee future results.

**The back of an envelope or a spreadsheet app.** Traditionally, a household budget could be worked out "on the back of an envelope." Of course, this is still true, though you may have access to more bells and whistles than previous generations. Whether you prefer to work it out with pencil and paper or by computer, the main rule is to create and stick to the budget.

**Easy come, easy go.** Start by taking note of your income. Some Americans have more than one income source, either through a second gig or even a hobby turned small business. You don't have to be making money very long, though, to realize that it doesn't always sit still in your checking account. Along with your income, tally up your expenditures: Housing costs (rent, utilities, etc.), groceries, student loan payments, transportation expenses, phone, and Internet, as well as entertainment. It adds up! (More like subtracts, actually.)

**Make adjustments.** Ideally, the number at the bottom of this reckoning should be a positive number. This means that you're living within your means and, while you may want to make that a larger number by adjusting your expenses, you're at a good starting point.

Adjustments are probably overdue if you have a negative number; you'll need to take a cold hard look at those expenses and think about can I live without (such as mountaineering lessons) and what isn't going to give (the essentials: food and shelter).

Your other choice, of course, is to make more money. As you move on in your career, this will likely happen as you earn salary increases or build your business. Don't forget, though, that life gets more expensive over time, as well. Rents and fees will rise as time goes on. Regular adjustments are a natural part of good budgetary maintenance.

**Goals and strategies.** If you have money coming in that is not being gobbled up by line items on your budget, and you stick to it and keep it that way, you're (literally) coming out ahead. Now's the time to put that money to work toward goals and strategies. Goals can be small, like saving up for a vacation or upgrading an item in your home. Or they can be larger, like saving for a major expense.

Goals can work side-by-side with financial strategies, which tend to be "bigger picture" in scope. Financial strategies tend to be things like looking ahead to your retirement or investing in creating more income (so you can get back to mountain climbing). For these bigger strategies and the shorter-term goals, there is an advantage to seeking out a financial professional geared toward helping you get the most from your efforts.

**There is no "one way" to budget.** There isn't a single, one-size-fits-all solution for creating and maintaining a household budget. Financial professionals also know this and can help craft a strategy suited to your risk tolerance, goals, and financial situation.

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**Citations.**

1. PewResearch.org, March 25, 2020