

## Transcript

### How To Set A Budget And Stick To It

How to set a budget and stick to it. Nowadays, I know, it is not easy keeping your hard earned cash in your wallet, even when you're trying to be responsible, right? I mean, we've all got a variety of "need-to-have" expenses, like, uh, like a mortgage, car repairs, and college tuition to pay for. I mean, never mind the, the "like-to-have" expenses that, you know, you want to treat yourself to once in awhile. You know, like a, like a new pair of cool high tops or those fancy designer jeans.

So, I'm sure your question is, "How do you keep all those things from chipping away at your bank account?" Well, no matter who you are or what you're spending your money on, you could probably use a budget. Especially when the average household spends 80% of its annual income on a range of necessary expenditures, you know, which includes almost 60% on housing, uh, food, gas, and insurance alone.

Now that's a lot to pay for, right? I mean, so then, how can you ensure being as smart with your money as you can be? Well, by creating a budget. It's the tool you need to help you stretch your paycheck as far as it'll go. And now all it takes is just a little bit of discipline, planning, and most importantly, prioritization.

While creating a budget may seem overwhelming at first - I know, believe me - uh, the time you spend putting it together, that's going to certainly be worth it when the process of paying your monthly bills becomes a little less stressful. So where do you start? Well, setting a goal is always a good place to begin. You know, it gives you something to shoot for. And then, of course, uh, making a plan, that's going to set you in motion.

So here's how to do that in six easy steps. Step one: know your income. Seems simple enough, right? But knowing how much you can spend each month starts with knowing how much you take home. That means you can't build your budget based on your salary. It, it should be based on your net income. So, get out some pay stubs and see what you're clearing after taxes, insurance, 401K contributions, and, uh, other stuff like that.

Step two: determine your basic expenses. Figure out what your fixed expenses are every month. You know, and now, these are the things that don't fluctuate or change dramatically through the year, like, um, you know, like rent or mortgage payments, uh, good old car payments and insurance,

uh, student loans.

Uh, this is also a good time to make sure you have some kind of safety net to help pay for these expenses in case of an emergency, like, um, let's say, you need a new water heater or your car needs a new transmission. There you go. So, if you have a safety net established, great. If not, there happens to be a video on this site called, "Easy Ways To Save On Everyday Expenses." And that can help you find some extra money to put towards that savings.

Step three: determine expenses that vary each month. These are the things that change, uh, based on usage, like your, uh, your phone and other utilities, uh, as well as your grocery bill, that could change. You could also add up all those flexible expenses, like clothes, you know, jeans, uh, restaurant meals, entertainment costs. These are the costs that you have control over.

To test your knowledge on what you've learned so far, please name which two of these expenses are examples of fixed expenses?

1. Car payments
2. Student loans
3. Groceries
4. Cable

If you guessed "car payments" and "student loans" you are correct.

The next question is: Which two of these expenses are examples of variable expenses?

1. Cell phone
2. Mortgage
3. Groceries
4. Car insurance

If you guessed "cell phone" and "groceries" you are correct.

Step four: determine what's really important. When it comes to creating a budget that works, you have to take a really hard look at what you feel is truly necessary. As much as you like to think you can't live without the latest gadget, this type of expense should go into the "like-to-have" category.

So, if - so if you want to find the fluff in your budget, start digging into your variable expenses and rank what's most important to you. I mean, do you really need unlimited texting on your cell phone? If not, get rid of it. Are you

watching all the 437 channels of cable? No? Downgrade to basic. For more simple tips that, you know, can help you save, check out that video I mentioned, "Easy Ways To Save On Everyday Expenses," uh, 'cause if you follow some of the tips there, you could save hundreds of dollars each year. Yes, hundreds.

Step five, follow your spending and review monthly. You want to give your budget a fighting chance, right? So just keep an eye on your wallet, and especially those credit cards, to make sure you're spending within limits throughout the month. It's easy to forget - right? - and even easier for the small things to start adding up, so keep on it.

Step six, keep track. Find a way that works for you to keep track of your expenses. Uh, you know, that can mean the old pen and paper, a spreadsheet, or one of those new fancy, fun budgeting apps. A lot of banks have these as part of their online banking. They are easy to find and use, so be sure to look for them. Then, you just balance your budget. Keep your income information current and track your actual expenses monthly. After a few months, you're going to start to see patterns and figure out where you can streamline and make adjustments.

Now, if you don't want to go it alone, if you'd like a little company, there are some sites all over the Internet to help you analyze what have you coming in and what you're spending. And if you're the pen and paper type like myself, or even the computer spreadsheet type, uh, check the links at the end of the video in the "What To Do Now" section, where you can access a handy budget worksheet. It's great.

To test your knowledge on what you've learned, please name one good place to find tools to help you keep track of your money.

1. Newspaper
2. Library
3. Online
4. Local bank branch

If you guessed "online" you are correct.

The next question is: Many people recommend reviewing your expenses how often?

5. Weekly
6. Monthly
7. Daily
8. Annually

If you guessed "monthly" you are correct.

All in all, making a budget is a process that will take some time and effort, but put these steps into place and what you'll get in return is well worth it. Trust me. You--you might relieve some anxiety over your bills and feel better about yourself and where your income is going. Not so bad, right? Put them into everyday practice and before long, you could have more money for the things you want, like high tops, in addition to the things you need.

Another video on Better Money Habits that relates to this one is "Easy ways to save on everyday expenses"