



BUDGETING

Mary's Story

No one in Mary's family went to college and she grew up watching her single mother struggle working two, three and sometimes four jobs to make ends meet. When Mary left the abusive relationship with her ex-husband and then found out at age 23 that she was pregnant with her son, Anthony, she knew she had to do something different for her family. She currently works two part-time jobs, one as a teacher's assistant at her son's elementary school and the other waiting tables on the weekends at a local diner. Her mom watches her son two evenings each week so Mary can go to college. Mary is frustrated because she's constantly having to juggle expenses and there is never enough money to cover the things they need. Two days after payday she doesn't know where her money has gone or how she's going to put gas in her car or food on the table.

A friend suggested she set up a budget to help keep track of her money and Mary's head started to spin with questions. Could that be the answer she'd been looking for? Where would she even start?

If you're like Mary and don't know where to start — don't panic! Budgets don't have to feel restrictive or intimidating. Budgeting is just creating a plan for how you'll spend your money. It puts you in control of making sure your money goes where you need it to go.

STEP 1:

Know what's coming in.

Figure out exactly how much money is coming in every month. This should include not only your salary, but any other income you have — alimony, child support, side-hustles and any government assistance you may receive.

STEP 2:

Know what's going out.

Write down all of your expenses. Don't forget about bills that might not be paid monthly, like insurance premiums or medical co-pays. It's important not to forget the little things like a gym membership, subscription to Netflix or other streaming services.

STEP 3:

Determine your priorities.

If you can't pay for everything, decide what needs to come first. Are diapers more important than cable? Does gas money trump cell phone coverage?

Let's Practice:

Here is an example of what a budget might look like. You'll see Mary's expenses listed here:

MARY'S BUDGET

MONTHLY EXPENSES	
ITEM	AMOUNT
Rent/mortgage	\$1,000
Electric	\$140
Gas	\$65
Cell phone	\$80
Groceries	\$800
Car payment	\$350
Auto expenses	\$100
Student loans	\$100
Credit cards	\$125
Auto insurance	\$70
Personal care	\$80
Entertainment	\$75
Miscellaneous	\$50

Now that you see how Mary set up her budget, try to do the same with your own. You can use the budget template we've provided, or make your own. A visual guide showing where your money should go is the first step to financial success.

YOUR BUDGET

MONTHLY EXPENSES	
ITEM	AMOUNT
Rent/mortgage	
Electric	
Gas	
Cell phone	
Groceries	
Car payment	
Auto expenses	
Student loans	
Credit cards	
Auto insurance	
Personal care	
Entertainment	
Miscellaneous	

It's important to not only have a plan in place showing how your money should be spent, but to take a hard look at where you may be failing to meet your goals. To set up your budget, keep track of your spending for 30-90 days. Write down everything you spend — from rent to groceries to that afternoon soft drink at the vending machine — plus any additional money you may give your kids for lunch, snacks or school activities.

Now think about your top three spending priorities. These can be goals like paying off debt, saving money for emergencies or anything else that's important to you. Write them down below:

1. _____
2. _____
3. _____

Now look at your spending for the last one to three months. How much did you spend on unnecessary items? Fast food? Entertainment? Internet games?

Do your spending habits line up with the spending priorities you listed above?

A budget isn't meant to stop you from spending money on the items you enjoy. It just helps to make sure you spend your money wisely and with your goals in mind.

There's more than one way to set up a spending plan and finding one that works for you is important. If keeping your income and expenditures on paper isn't your thing, consider trying the envelope system. Follow the steps below to get started.

- ▶ Track your spending to create a budget so you know approximately how much money you spend in each category, such as rent, utilities, food, clothing, etc.
- ▶ Label an envelope for each category and fill it with the amount of cash you've allotted for that expense. If you put \$25 in an envelope titled 'Coffee', then you can only spend that amount of money on coffee during the month. A \$5 latte on the way to work should be paid from this envelope.
- ▶ Keep the receipts from your monthly purchases in the appropriate envelopes so you can adjust your budget categories the following month, if necessary.

You can download OKMM's free budget envelopes at OklahomaMoneyMatters.org.



Using envelopes allows you to see at a glance how much money you have.

- ▶ If you're going to use this method, you'll want to protect your cash.
- ▶ Keep your envelopes in a locked box, available at most stores for around \$30.
- ▶ Some people use envelopes just for the expenses that change every month, like electric bills, food and fuel. Others use envelopes only for those spending categories that tend to get out of hand.
- ▶ Just remember, when the money's gone, the money's gone.

Mary set up a budget that worked for her family and in time, she was able to save a small amount of money each month. Seeing some positive results encouraged Mary to start an emergency fund for her unexpected expenses.