

1-2-3 Banking

Strong beginnings to a healthy financial future

Budgeting Basics

Have you ever gone through a heap of cash only to wonder what you spent it on? If so, you're not alone. Following a monthly budget is one of the keys to financial success. Without a plan for our money it is easy to overspend. Sometimes people look back at the end of the year at the money they earned and wonder where it all went and why they don't have anything left to show for it. Here are five steps to help you budget your money:

Step One: Determine your monthly income. Think of all the ways you make money. If your income fluctuates, write down the minimum.

Step Two: Spend. Save. Share. List all your expenses. Make sure to include expenses that you don't pay every month. For example, if you pay your car insurance every six months then you will want to budget part of that each month so that you don't have to come up with the full amount out of one month's pay. Include some "fun money" for going to the movies or out to eat!

Make a list of the things you want to save for. This will include needs and wants. You might need to save for new tires for your vehicle. You might want to save for an iPad or a vacation. Are you thinking about buying a car? You will need to save some money for a down payment. Are you saving money for college?

List anything you want to give to each month. If there is a cause that is important to you, think about donating some of your time, talent, and resources.

Step Three: Make a plan. Write down what you think you should spend on all your budget categories. Make sure the income minus the money you have allocated to all your budget categories equals \$0. You want to have a plan for each dollar you earn, including how much you will save every month.

Step Four: Try it out! Follow your plan for the month. Check back at the end of the month and see how you did. You likely won't get it perfect on the first try, so you may need to adjust your spending or your budget to find what will actually work for you.

Step Five: Find a system that works for you. You want to find an easy way to stay on track. Maybe you want to use the "cash envelope" system where you take cash from each paycheck and divide it up into different envelopes for your budget categories. When you are deciding whether to make a purchase or go out for lunch it is easy to see if you have enough money left in that envelope.

There is also a Personal Financial Management tab in our Online Banking System that categorizes your spending and makes it easy to see how much you spent on each budget. It tells you how much you have left to spend and will let you know if you overspent. You might surprise yourself when you realize that you can manage your money like a pro. Give it a go and let us know if you want help along the way. Enjoy the journey!

