

Making a Budget

The first step towards realizing your financial goals is creating a realistic budget.

A budget is simply a spending plan that is based on your expenses and income. A written plan helps you stay on track, day to day and month to month, for meeting your financial goals.

For most students, debt is a part of life. Federal student loans, for example, are debt, but they are also a sound investment in your future. Maintaining a spending plan can't eliminate all debt, but it will help to minimize *unnecessary* debt while building healthy financial habits that will serve you through graduation and beyond.

Tuition is a major expense that is definitely worth the investment - every dollar spent on tuition will be returned many times over after graduation in the form of higher wages and increased job opportunities. But pizza? Or dinners out? Just think - if you were to have two dinners out per week that costs \$20 each, these purchases would cost \$8,320 over four years – hardly a small amount of money, especially if financed by credit cards. Excluding any other debt you may have at graduation, paying off that \$8,000 alone would cost nearly \$300 per month for three years. When asked what they would do differently in college, many recent graduates mention avoiding credit card debt as their first choice.

The idea here is not that you should never go out to dinner, but that unplanned, spontaneous purchases can add up in ways you may not expect. Creating a budget helps you focus your spending on what really matters to you. If the possibility of additional debt is worth it, that's ok if it's your decision. By budgeting your money, you control your spending habits, rather than letting your spending habits control you.

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Making a budget is easy - the goal is to have your income exceed your expenses. The interactive budget calculator coming up next can help to make sure you don't leave out expenses or sources of income. The calculator is designed to help you manage your *monthly* expenses and does not include once per year or semester expenses like tuition. Assuming you are already receiving an appropriate financial aid package, there's not much you can do about the cost of tuition, unfortunately.

The first thing you'll need to do is figure out approximately how much money you'll have each month. This calculation can be a bit complicated for



students, depending on whether your work schedule changes according to your school calendar. If you earn most of your money over the summer, you may want to estimate your yearly income and then divide it by twelve.

Your income should include estimates of income from jobs, student loans, scholarships, savings, and other sources. Or if you depend totally on student loans, take your refund check and divide it by the number of months it needs to last. That is your monthly allowance for your time in school.

Next calculate your expenses. The budget calculator covers obvious expenses like food, lodging, phone bills, books and supplies, laundry, and transportation. Be sure to also include other expenses such as clothes, haircuts, entertainment, snacks, and whatever else you buy. This budget is just a starting point – you'll want to compare it with your actual spending to see where changes are needed.

When creating a budget, some people try to minimize expenses so much that their budget is set up for failure from the start. The key to successful budgeting is to be realistic but not irresponsible. You work hard and deserve an occasional treat.

By subtracting your expenses from your income, you see the amount of your discretionary cash. If you come up with a negative number, you might want to make adjustments in your spending habits or earn additional income.

Use the online budget calculator at CFNC.org to get personalized budget recommendations.