



Basic budgeting can make for a happy new year

This holiday season, gift yourself some peace of mind and a sense of control over your money. Creating a household budget can give you realistic expectations for your season of giving and can put you on the best footing to start the new year off right.

A budget is a written plan for your money. Like Santa, you can make your list and check it twice. Use it to track how you choose to earn and spend your money. It helps to use a budget worksheet, such as the Basic Budget Builder worksheet included in the University of Kentucky Extension's *Use Less, Spend Wi\$e* challenge packet.

First, list your income. This should include all money you receive, including wages, benefits, support, and other income. Calculate these to a monthly total. If this is a household budget, consider all sources and total them together. For example, if two household members earn wages, total the monthly income.

Next, list all money that you spend or owe to determine your total expenses. Again, calculate the total amount you spend within a month's time. This list should include everything you spend, from essentials like mortgage or rent, utilities, and food, to services like television, phone, and internet. List any loan or debt payments that are due monthly. Be sure to include all personal costs too, such as entertainment, hobbies, clothing, transportation, and personal care. If this is a household budget, you may be totaling several sources together to represent the total costs for all household members.

Make sure your budget includes some money for occasional expenses. The holidays are a big part of that occasional category! Additionally, it may include birthdays, vacations, back-to-school expenses, taxes, car expenses, and more. Also, don't forget savings. Pay yourself first by setting aside some of your income before paying nonessentials. Make it automatic if you can.

Your budget is based on your choices. So be honest and include everything you spend, whether it's nice or naughty. Look at receipts and statements to get the full picture instead of just guessing. You might spend more than you realize!

The last step is to find out how your budget is working. Subtract the total expenses from the total income. If the result is positive, you have extra money left to save or spend. If it is negative, you may need to make some changes. Your options are to increase your income or reduce your expenses – or perhaps a bit of both.

Writing up your budget won't magically "fix" your money troubles. But it will let you see what is happening with your cash and gain control of the situation. Having a budget also will help you identify spending habits that drain your income and keep track of your money, so you don't overspend or go into debt. By making your budget today, you prepare for a happy new year!

Source: Kelly May, Senior Extension Associate for Family Finance and Resource Management

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