



Budgeting 101 Transcript

Welcome to Money Talks, a series of podcasts developed by Oklahoma Money Matters, the financial literacy initiative of the Oklahoma College Assistance Program and the Oklahoma State Regents for Higher Education.

Today's topic is setting up a budget that supports your spending priorities. In the next few minutes, I'm going to show you why it's important to create a budget—no matter how much money you make—and walk you through creating your own. Let's get started.

Many people give up on budgeting before they even start, because they think budgets are boring or restrictive. Budgeting really isn't about denying yourself; it's about making sure you spend your money on the things that matter most to you.

So, let's kick the word budget and refer to it as our "spending plan" because that's what a budget is...spending money on paper. You like to spend, right? Who doesn't? A spending plan helps us figure out what we do with our hard-earned money. Ever head to the grocery store without a list? It's easy to drop \$100 bucks and leave without half the things we need, right? A spending plan is like a grocery list. It keeps us on track, making sure we use our money to buy what we want and what we need. The first step to creating a successful spending plan is to track your current expenses. Simply put, know how much you spend and what you spend it on. The easiest way is to document every purchase you make—car payments, dinner out, coffee, subscriptions, clothes, entertainment—everything! Keep all receipts and carry a small notebook to jot down your smaller expenses, like mints or vending machine snacks.

Do this for a month and I bet you'll see some patterns emerge. You may be surprised how much money you spend! This step does take time and dedication, but it'll help you create a spending plan that better fits your priorities.

Once you've tracked your spending, it's time to make categories for your spending plan by grouping similar items together. Hit the local java joint each morning for coffee and a scone? Visit the food court for lunch? You'll want to create a category called "eating out." Do you drive to work each day or home on the weekends? You'll need a category for "fuel" and a category for "car maintenance and repairs." Of course, housing, savings, food, utilities and school supplies are categories you'll more than likely use, too.

With your categories set, it's time to create your spending plan. You may want to use a "canned" budget worksheet, like the one found on OKMM's website, Oklahoma Money Matters dot org. Using the categories you created when tracking your spending, add or delete categories in the worksheet to fit your needs. Next, use your current pay stubs to add up your monthly income. Don't forget to count money from your parents, if they give you cash each month or help you pay school expenses. With your monthly income in mind, return to your spending categories and assign an amount to each one. If you place \$50 in the "fuel" category, that means you are setting aside \$50 to spend each month on gas.

Don't forget to save! Saving should be part of your monthly budget, not something you do if there's money left over. Aim to save about 10% of your income. If that seems impossible, save as much as you can to start and grow from there. Sometimes it can be helpful to start by setting smaller goals - maybe \$10-\$20 from every paycheck.

Next, subtract your monthly expenses from your monthly income. Do you have money left over? If you do, put it in your savings account for a rainy day! Did your spending exceed your income? Review your categories and decide where you can cut back...then do it!

Making small changes in your routine can lead to big savings. For example, bring a sack lunch to work or school twice a week and you'll save \$20 or more. Need a new shirt for a party? Don't hit the mall. Hold a "clothing swap" with friends instead. Going out Saturday night? Look for free concerts and events on campus or in your community. You don't have to go without to save! Money can be tight, but creating and following a spending plan will help you stay on track and set yourself up for a lifetime of financial success.

Thank you for joining us on Money Talks! If you'd like more money saving tips, check out our website, Oklahoma Money Matters dot org. Until next time, make your money matter!