

The Monthly Budget

Use this exercise to develop a plan for spending your money month to month. Complete the Money Monitor in the previous exercise entitled “Where Does All the Money Go?” before doing this exercise. Figures usually change from month to month because of periodic payments such as tuition, so revise this record as needed. Complete this monthly budget prior to doing the long-term budget exercise described in the next exercise.

1. At the top of the form under “Money In From” list all your sources of income from your Money Monitor. In the left-hand column, write down where the money came from. In the middle column, write down the amount.
2. Under “Money Out To” list all the “Money Out” categories, titles, and totals from your Money Monitor. List the amounts in the middle column.
3. Add up all the “Money In From” items and enter the total in the box labeled “Total Cash Income.” Add up the “Money Out To” items and enter the total in the box labeled “Total Cash Expenses.”
4. Subtract total cash expenses from total cash income in the box labeled “Money Left” under the “This Month” column. This is your monthly surplus—or deficit.
5. Now you can decide how much surplus you want next month or how large a deficit you can survive. (Unless you are a government, you probably can’t run a deficit for long.) You also can set a goal to come out dead even—zero surplus and zero deficit—if you include in your “Money Out” categories money you set aside for savings and emergencies. When you have determined your goal, enter it in the box marked “Money Left” under the “Next Month” column.
6. Next, adjust your “Money In From” categories (income) and your “Money Out To” categories (expenses) to meet your goal for next month. For example, if you ran a \$50 deficit last month and you want to run a \$50 surplus next month, increase income by \$100, reduce expenses by \$100, or do some combination of both. You might decide to work 5 more hours to earn \$50 more next month. Then you could cut your entertainment budget by \$20, your food budget by \$15, and your clothing budget by \$15.

Enter the amounts for your adjusted budget categories in the column labeled “Next Month.” Then add them all up to make sure you will reach your goal. If you are completing this budget on your computer, the total will be automatically calculated for you. Experiment with your “Next Month” income and expenses to find the right budget for you.

Other budget tips: Use old receipts, utility bills, canceled checks, and credit card records as sources of information for your budget. Also, remember to

include any unusual expenses you can predict, such as tuition, medical bills, automobile licenses, car repairs, and vacations.

Each month, examine the previous month's Money Monitor and use that information to refine your budget. Be realistic about what money is likely to come in and go out. Then stick to the budget.

How to use the Budget Worksheet on your Computer: The Budget Worksheet below is an Excel document which will automatically tabulate your Total Cash Income and Total Cash Expenses, as well as your Money Left total. To use this document, double click on the table below and then enter in your values. When entering your Money In and Money Out amounts, you will only need to include the numerical values; the \$ symbol will automatically appear. To add additional rows to your "Money In" or "Money Out" sections, highlight one of the rows where you wish to add additional rows by clicking on the number at the left-hand side of the table. Go to "Insert" on the tool bar above and click "Rows." A new row will appear above the highlighted row.

