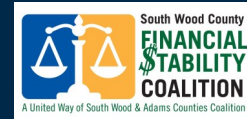


Funding Your Future

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Fall 2022

The Truth about Budgeting: **3 Steps for Smarter Spending**

A budget is one of the most effective tools for achieving & maintaining financial stability. In this edition of Funding Your Future, you'll find the information you need to start your own budget and understand why it's important.

Let's start with a question: How much money did you spend last month? ...Unsure? You're not alone. Roughly 1 in 3 Americans don't use a budget—yet the overwhelming majority of people who *do* use a budget report having been able to escape debt, or remain debt-free, *because they use a budget*.

Mobile apps, online banking, and automated payments are just a few ways technology has made it easier than ever to manage personal finances. While these tools won't replace a budget, they can help you get started (and stick with it).

Have you ever heard of a lottery winner or heir of a fortune ending up broke, bankrupt, or in debt? Examples like these show how easy it is to overspend without basic budgeting knowledge. Managing money is a financial skill necessary at any level of wealth. Follow these three steps to get started!

Step #1—Define Income & Expenses

Imagine your budget is a meal. You can't start cooking without knowing the ingredients or their measurements. You need a recipe! Or in this case, a *monthly spending plan*.

Identify your current income, expenses, and debts. Be realistic and specific—list *actual* amounts, not guesstimates, and list expenses by specific categories. Part of being realistic is also including flexibility in your spending plan. Add a category for unexpected or emergency expenses. Resources and examples are linked on page two to get you started.

Does your income cover all of your living expenses? What about savings goals?

Now you can adjust your new spending plan for the next month—your basic, necessary living expenses shouldn't change, but you can control your spending with choices to increase

Tips for Cutting Expenses

Plan Ahead to Save Gas

Plan out and combine trips to save gas—save even more by carpooling when possible. For longer trips, consider options like bus or train.

Do Activities at Home

Buying ingredients for a fancy meal or renting a movie are much cheaper alternatives to eating out or going to the theater. What other examples can you think of?

Use Meal Plans & Lists

Create a weekly meal plan and grocery list to avoid spending on unnecessary items. Design your meal plan around weekly sales to maximize savings! For a fun savings challenge, try making a meal, or even a meal plan, using only what you already have.

Find Coupons

After making your meal plan & list, find coupons to match. But **DON'T** buy items just *because* you find a coupon.

Buy Less Meat

Non-meat protein can be significantly cheaper, and in many cases healthier.

Try Canned & Frozen

Fresh vegetables are usually much more expensive than canned or frozen, and can easily spoil before you have a chance to use them. Many meats can also be found cheaper this way.

Further Reading & Resources

Creating Budgets & Spending Plans

- <https://finances.extension.wisc.edu/files/2020/12/Cutting-Back-UW-3.20.pdf>
- <https://www.consumerfinance.gov/about-us/blog/budgeting-how-to-create-a-budget-and-stick-with-it/>
- <https://www.consumerfinance.gov/consumer-tools/educator-tools/youth-financial-education/teach/activities/creating-monthly-household-budget/>
- https://files.consumerfinance.gov/f/documents/cfpb_building_block_activities_creating-monthly-household-budget_worksheet.pdf

Tracking Spending

- https://files.consumerfinance.gov/f/documents/cfpb_your-money-your-goals_income_benefits_tool_2018-11_ADA.pdf
- https://files.consumerfinance.gov/f/documents/cfpb_well-being_spending-tracker.pdf

Tips for Saving

- https://finances.extension.wisc.edu/article-topic/saving-on-taxes/?ss_redir=1
- https://files.consumerfinance.gov/f/201603_cfpb_rules-to-live-by_my-savings-rule-to-live-by.pdf

Local Resources through UW-Extension

- [Financial Coaching](#)
- [Money Matters Self-Paced Course](#)

Contact Jackie Carattini at jackie.carattini@wisc.edu for more info about resources from Extension!

savings or pay off debt with money that may have been used to eat out or pay for entertainment.

Step #2—Track Your Spending

With your plan clearly defined, track your spending over an entire month, then review your actual spending compared to what you planned. Find a strategy that's convenient and works for you—an app, pen & paper, receipts, writing on a calendar, daily log, or checkbook, a spreadsheet, online banking records, etc. Regardless of the method, tracking your spending allows you to know exactly where your money is going—potentially revealing spending habits you might not even be aware of, and help you understand how even small, everyday purchases can add up over time.

Don't get discouraged if your actual spending turns out different from what you planned! Many expenses will vary and change month-to-month or week-to-week, and it may take time to adjust, *especially* if you are making any big changes in spending habits or lifestyle. After a few months, you will have a better idea of the big picture.

Step #3—Keep At It

You might need to continue adjusting your spending plan and lifestyle choices to find a balance that works. If you are consistently overspending, you may need to find different ways to cut back (some tips for savings are included in the sidebar). Taking on an additional job, or turning a hobby into an income source, can help increase household resources. Depending on your situation, government or non-profit assistance programs may be able to help—call United Way's 211 to get connected to the support services available to you.

If debt is an issue, contacting a credit counselor may help. In some cases, debtors may renegotiate a payment plan to accommodate specific circumstances. One thing you should never do, is take on new or additional debt to pay existing bills.

Finding a balance between income and expenses isn't always easy and will likely take time. Changing old spending habits and applying new ones is challenging, but keep at it! Make budgeting part of your regular daily, weekly, or monthly routine and you will be successful. Once you find consistency in your budget, you can focus on building savings and working toward other financial goals.

Sources: <https://finances.extension.wisc.edu/article-topic/getting-through-tough-times/>
<https://finances.extension.wisc.edu/files/2020/12/Cutting-Back-UW-3.20.pdf>

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