

Budgeting

Budgeting is a way for you to keep track of your expenses so that you avoid running out of money before you pay for everything you need. It is also a good way to ensure you are prepared for emergencies that may come up like car repairs, tuition increases, or if you need a good outfit for an important job interview. Getting started is easy.

1. Make a list of all your sources of income after taxes and other deductions are taken. This will be easy if you have a single paycheque but if you are self-employed you may have to do more math.
2. Make a list of all your expenses separated into two categories. You may need to gather your bills and receipts to create this list.
 - a. Fixed expenses: fixed expenses are those things you need to pay for like rent, your electric bill, property taxes, your phone bill, and your car loan or monthly bus pass. These expenses rarely change from month to month.
 - b. Variable expenses: variable expenses may change from month to month and include items like food, gas, entertainment, gifts, and so on.
3. Total your income and expenses and subtract the expenses from the income. If your end result shows more income than expenses, you're off to a good start. If your expenses are higher you will need to make some adjustments to your variable expenses (remember that fixed expenses are just that, "fixed", and can't be changed).
4. Review your budget monthly to make sure you are still on track. After the first month take a minute to sit down and compare the actual expenses versus what you had created in the budget to see how well you did and what you need to improve.

The best part about budgeting is using it to plan for future events. Let's say you own a car. You know at some point that you will need an oil change, or another repair, or a new set of tires. How will you pay for it? Add a category to your expenses called 'Car Maintenance and Repair', and make sure that you keep \$10 or \$20 from each paycheck in the bank to cover that future expense. Eventually that \$10 or \$20 will grow so that when the emergency or inevitable repair does happen, you will have enough to cover the cost without affecting any other of your variable expenses.

Other things you may want to add to your budget to save for are; annual presents and festivities, a vacation trip, a down payment for a new home, or for your retirement. Even the smallest amount will grow if you can leave it in the bank and not "borrow" it for things you don't really need.

Download our [easy to use budget spreadsheet](#) to create and maintain your own personal budget.