

FALL 2020



The University of Texas at Austin  
Office of Scholarships  
and Financial Aid

# BUDGETING YOUR FINANCES

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# Welcome & Introductions



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# ICEBREAKER

# Goal

Introduce a tool to help you manage your spending—reducing the likelihood of overspending

# Objectives

- Distinguish “wants” and “needs”
- Define budget
- Examine budget components
- Share budgeting resources

# Wants vs Needs

## Want:

**A thing that is desired.** Something you would like to have, although not having it does not necessarily affect your well-being.

## Need:

**A thing that is essential or very important.**

Something required because not having it causes a clear adverse outcome.

# Needs

Traditional list of immediate “basic needs”	Food (including water), shelter, clothing
Modern list	Sanitation, education, healthcare/medicine
Expanded list	Telephony, internet connectivity, insurances, transportation
Additional items	Savings, debt payments, unusual/unavoidable expenses (repairs, replacements, accidents), entertainment

# Focus on Needs

- Students, recent graduates, or those just starting out not having a lot of money
- Needs and wants cost money
- Best way to manage your spending is to develop a budget

# Large sums of money

- Financial aid (grants, scholarships, loans), paycheck, stimulus check, tax refund, insurance payout, lottery winnings
- Not a green light for frivolous spending or big-ticket item purchasing
- Celebrities frequently go broke or experience tax trouble
- Poor money management – no budget!



# Budget

A frightening word?

# Budget

A very simple way to track money that's coming in and going out.

# 6 Budget Components

1. Taxes
2. Monthly Fixed Expenses
3. Monthly Variable Expenses
4. Periodic Expenses
5. Discretionary Expenses
6. Budget Review

# Taxes and other payroll deductions

- **Taxes are the first deductions from your monthly gross income**
  - Federal/state income taxes, local tax withholdings (income/tax bracket)
  - Social Security (6.2%), Medicare (1.45%)
  - Union dues (2.5 times your hourly wage per month)
- **Additional deductions may include amounts YOU determine**
  - Insurances (health, life, dental, vision, workers' compensation)
  - Retirement contributions (IRAs and 401(k) plans)
- **Net Income remains after your monthly payroll deductions**  
Money you actually take home each pay period

# Monthly Fixed Expenses

- **Expenses occurring monthly in the same amounts**
  - rent/mortgage
  - vehicle(s)
  - loan(s)
  - cable/dish
  - landline/mobile phone
  - additional insurance(s)
  - savings
  - Wi-Fi
  - childcare
  - child support/alimony
  - online/streaming services
  - other subscriptions

# Monthly Variable Expenses

- **Expenses occurring monthly in varying amounts**
  - groceries, laundry/dry cleaning, transportation, and utility bills
  - may fluctuate depending on the season
  - estimate a monthly average

*Tip: It's a good idea to convert any expense into a fixed monthly expense to make it easier to manage your cashflow.*

# Monthly Periodic Expenses

- **Expenses occurring regularly, but not necessarily monthly**
  - car and home maintenance, property taxes, and some insurances
  - estimate total past spending; set aside monthly amounts

*Tip: It's a good idea to convert any expense into a fixed monthly expense to make it easier to manage your cashflow.*

# Monthly Discretionary Expenses

- **“I want” expenses**

- travel
- gifts
- toiletries
- barbering/hair stylist
- entertainment
- clothing
- electronics
- lottery tickets
- pet care

*Tip: If needed, these are the first expenses recommended you reduce or eliminate from your monthly budget.*



# Reviewing Your Budget

- Add all monthly income sources = **monthly gross income**
- Subtract taxes/deductions = **monthly net income** (take-home pay)
- Subtract all monthly expenses from monthly net income
- Results:
  - **Positive number** (balanced budget): add money to your savings or reduce existing credit card or loan debt
  - **Negative number**: reduce expenses, beginning with discretionary (“I want”) expenses

# Budgeting Key

The most important aspect of a budget is  
**discipline.**

Without discipline, a budget is only numbers on paper.

# Resources

- **Make a Budget (pdf)**

[https://www.consumer.gov/sites/www.consumer.gov/files/pdf-1020-make-budget-worksheet\\_form.pdf](https://www.consumer.gov/sites/www.consumer.gov/files/pdf-1020-make-budget-worksheet_form.pdf)

- **Jumpstart's Reality Check**

<https://www.jumpstart.org/what-we-do/support-financial-education/reality-check/>

- **Texas Reality Checker – Lifestyle Calculator**

<https://texasrealitycheck.com/Location?flow=lifestyle>



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# QUESTIONS

# Contact

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