BUDGETING YOUR FINANCES
Welcome & Introductions
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

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

• Jumpstart’s Reality Check

• Texas Reality Checker – Lifestyle Calculator
  https://texasrealitycheck.com/Location?flow=lifestyle
Contact

Office of Scholarships and Financial Aid
Texas Financial Wellness

Email: financialwellness@austin.utexas.edu
Phone: 512-232-6988
Online: financialwellness.utexas.edu