



## PRACTICAL MONEY GUIDES

# Budgeting Basics

Learn to create and stick to a budget.

## Create Your Budget

A budget helps you pay your bills on time, be prepared for emergencies and reach your financial goals. Take control of your finances by following these five steps.

### 1. Set Guidelines

If you choose to spend more on some expenses, remember to reduce other costs accordingly. Set guidelines on how much money should go toward different expenses.

### 2. Add Up Your Income

To set a monthly budget, you need to know how much money you're earning. Make sure you include all income like salary, interest, pension and any other sources.

### 3. Estimate Expenses

Reevaluate needs and wants when determining monthly fixed and flexible expenses.

### 4. Find the Difference

Subtract your expenses from your income to find how much disposable income you have. If it's a negative number, reduce your expenses.

### 5. Track, Trim and Target

After creating your budget, track your actual income and expenses. You may be surprised to see what you spend on unnecessary expenses. Adjust your budget to fit your lifestyle and financial goals.

## Elements of a Budget

There are some basic guidelines on how much of your income should go toward different expenses (after taxes). You can adjust these numbers to fit your finances.



Smartphone apps and online services can help you create a personalized budget and will automatically track your spending for you.

## Average Canadians' Household Spending Habits

<b>29%</b>	Housing
<b>19%</b>	Transportation
<b>14%</b>	Food
<b>11%</b>	Household Operations
<b>7%</b>	Recreation
<b>6%</b>	Clothing & Accessories
<b>6%</b>	Health & Personal Care
<b>5%</b>	Miscellaneous
<b>3%</b>	Education & Reading Materials

Source: Statistics Canada, 2015



Reevaluate your budget any time there are significant changes in your income or expenses, like a salary raise or a change in rent.

## Getting Started

The first step in creating a budget is to determine how much income you have and how you're spending it. Use our Budget Worksheet to gain a better understanding of your current budget and how much you should be saving and spending in order to reach your financial goals. Remember that fixed expenses stay the same from one month to the next, while flexible expenses are costs that change each month.

## Budget Worksheet

Monthly Net Income	
Income #1	\$
Income #2	\$
Interest	\$
Other	\$
<b>Total Income</b>	\$
Monthly Flexible Expenses	
Food/Groceries	\$
Entertainment	\$
Medical	\$
Utilities	\$
Other	\$
<b>Total Flexible Expenses</b>	\$
Monthly Fixed Expenses	
Housing	\$
Debt Payments	\$
Transportation	\$
Insurance	\$
Other	\$
<b>Total Fixed Expenses</b>	\$
Total Expenses	
<b>Total Monthly Income</b>	\$
<b>Total Monthly Expenses</b> <small>(Add flexible and fixed expenses)</small>	\$
<b>Total for Saving &amp; Investing</b> <small>(Subtract total monthly expenses from total monthly income)</small>	\$

## Get SMART About Expenses

With your budget in place, let the tracking begin. After determining where your money is going, it will be easier to make decisions and gain control of your spending. Cutting back is usually a better place to start than completely removing an expense. After trimming extra spending, it helps to have a goal to save for each month. Setting a goal needs to be SMART:

<b>S</b>	Specific enough to suggest action.
<b>M</b>	Measurable to know when you have met your goal.
<b>A</b>	Attainable goals that are reasonable and possible.
<b>R</b>	Relevant goals that make sense for your life.
<b>T</b>	Time-related objectives with a target date.



Reallocate the money you have saved each month and divert it to an emergency fund for unexpected expenses.

## Budgeting Resources

**Creating and maintaining a budget**  
[www.practicalmoneyskills.ca/budgeting](http://www.practicalmoneyskills.ca/budgeting)

**Budget worksheet**  
[www.practicalmoneyskills.ca/budgetplanner](http://www.practicalmoneyskills.ca/budgetplanner)

**Financial calculators**  
[www.practicalmoneyskills.ca/calculators](http://www.practicalmoneyskills.ca/calculators)

This guide is one of a series on *Practical Money Skills*.

- Budgeting Basics
- Credit History
- Credit Card Basics
- Debit Card Basics
- Identity Theft
- Prepaid Card Basics

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