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yearly basis (rather than monthly). That said, you can spread the expenses in 12 months for consistency purposes. Step 5: Subtract your income from your expenses Step 6: Implement, monitor, and, if necessary, adjust your budget to fit your needs. That said, stick with it as much as you can. The reason it's there is for you to use it as a guide. Changing it again and again simply defeats the purpose of doing it. It's hard to make a budget or even create a budget plan template when you don't know the benefits of doing it. So it's a fair assumption to include the benefits of budgeting in this post. When you budget your money and exactly know where your money is going on, you can reach your long-term financial goals much easier. The truth is, it's hard to go from point A to point B when you don't know where you are going. Here's the thing: If you have school loans that you want to pay off quickly, use your budget or budgeting skills to find a proper way to reduce or pay off those loans. Want to earn some extra money to help you to achieve your financial goals? Try sharing your opinions and filling out surveys with Survey Junkie or delivering food (part-time) with UberEats or DoorDash. When you budget your money, you'll have a piece of mind knowing you'll be able to pay the bills when they are due. Believe it or not: In addition to paying your bills when they're due, if you effectively budget your money, you'd be able to pay more than the minimum on your credit cards or other debts, which would help you pay off debts more quickly. Here's another scenario, if you pay your bills late, you'll see extra expenses added on. This means that having a budget in place can and will make this problem less likely to happen. Life is uncertain, at times. You'll never know when you're going to need money. That's a fact of life. When you have a budget and are able to save money fast, you can fork out funds when an emergency situation arises. Here's the reality: Whether you need to pay medical bills or need money for immediate house repairs, you can take money out from your emergency fund with ease. Here is a statistic: Roughly 63% of Americans don't even have savings to cover a \$1,000 emergency. Here's a scarier fact: Around 34% of American households have gone through what's considered as a major unexpected expense in the past. Let's jump in and so you can learn how to budget your money like a pro: Are you sick of reaching the end of the month wondering where all your money went? I know I was. I exactly know how and what you are feeling. I've been there. Good news? It doesn't have to be that way—that's a huge reason why my wife and I started budgeting in the first place. Ripping off the debt band-aid and creating a budget even a monthly budget is one of the hardest parts. In fact, 47 percent of Americans say they're not keeping track of their income and expenses because they don't even know where to start. By just merely reading this article, you've made a massive step towards financial freedom! It's your first step to learning how to budget your money and create a budget online or offline. Now, let's get down to business. Next step? Choosing a budgeting style that suits you best. Another staggering statistic for you: Even for those starting their budgeting journey, seven in ten will struggle to stick with it. Why is that? Well, a big reason could be due to not picking the right budgeting method. I've also wondered "how to make a monthly budget work." However I've been fortunate to try many different budgeting methods, and, in the end, some options just work better than others. Budget 101 Tip: There is no-one-size-fits-all method to track spending. You need a budget method that matches your specific needs. Here's the thing: You can find a personal budget example or two online. You can start from there and tweak those for yourself. If you're still having a hard time making a budget work for you, here are a few of the most common methods: The 50-30-20 budgeting method is almost a foolproof way to budget. It's good for those just first creating a budget who also want to get in the habit of giving money a purpose. For this budget, you to take your home income (your income after taxes, health insurance premiums and other expenses that are taken out of your paycheck) and divide it into three parts: 50% goes toward necessities like housing, electricity, gasoline, groceries and the water bill. 20% should go towards discretionary items like dining out or going to the movies. 30% goes toward saving or debt repayment. With this budget, it's all about how much you're going to save rather than how much you're going to cut back, making it great for those that tend to see the big picture and can never seem to make a budget stick. Here's how it works: Write down how much you want to put into your savings each month and then subtract that from your take-home income. One of the best strategies is to automate money towards your savings or investments like Acorns - it enables you to invest cents - and not think about those funds. Next thing you know, you'd have money saved and invested. Whatever is left over is yours to spend freely to pay bills, dine out or whatever else you need or want. You'll love: 5 Cute Free Budget Printable Templates to Organize your Finances As it sounds, the no budget method is not about crunching numbers each month. If you find yourself with extra money availability every single month, this method may be for you! How does it work? Subtract what you must pay each month from your take-home income. Envelope System With this budget, you can see exactly how to budget your money for specific categories by simply taking a quick peek in your envelopes. This method can help those learning how to make a budget stay on track. It forces discipline and holds you accountable. How to get started? Divide up your discretionary spending into envelopes by category. When you pay for something, you use the money only from the corresponding envelope. And, when it's gone, it's gone. That's it. How easy is that? Last but not least is the zero-based budget. This budget is a method of budgeting where each dollar is assigned income tasks. Meaning if you're doing it correctly, there should be no money left over. Dave Ramsey budget tips put it like this: "If you cover all your expenses during the month and have \$500 left over, you aren't done with the budget yet. You must tell that 500 bucks where to go. If you don't, you lose the chance to make it work for you in the areas of getting out of debt, saving for an emergency, investing, paying off the house, or growing wealth. Tell every dollar where to go. Doing so makes a huge difference." How does zero-based budget work? It's pretty simple: Create a list of repeat expense categories and amounts spent in each and every month. Then take your take-home pay and minus the expense categories. Again, your goal is to hit zero, so, if you have anything left you should add that remaining amount to next month's budget or move it to another category. How to make a monthly budget doesn't end one the first two steps. Remember, if everyone could easily magic his/her way to an effective budget plan template or a working budget, then, everyone would be saving a lot of money now. Now that you have figured out the best budgeting method to fit your needs, it's time to decide how you'll track it with a budgeting tool. These tools are probably your best helpers when you're still figuring out how to create a budget from scratch. You can even create a budget online. While there are lots of budget tools to help in making a budget, many are over complicated and can become confusing to use. And what does confusion lead to? In this case, it could lead to you quitting budgeting altogether. No! Don't let it happen. Here are a few of my favorites to keep you on track: Use a Budget Worksheet. Seems simple and inexpensive, right? That's because it is! In fact, there are many free budget worksheets available. I personally like the household budget worksheet offered by Kiplinger's Personal Finance because it allows for customization and downloading. Best Budgeting Apps: Digit makes it easy saving money easy and passive by analyzing your spending automatically and saving the perfect amount every day. You literally set it and forget it. This best budget app is great those in the budget 101 phase and looking to build good habits by saving more and spending less. Personal Capital makes it easy to track and manage your financial life. This best budget app can be used for planning for future financial goals such as retirement, saving towards college, buying a house, and more. The app also has the tools to analyze your investments and tell if you are on track. Great! Now that you've passed the first three steps on how to learn how to make a budget, it's time to get down to the numbers. Now that you've decided your personal budget method and how to track things, you need to know how much income you're bringing in each month. As you probably know, your salary or an hourly rate agreed upon when you got the job is not what you take home. To understand what your after-tax income is, just look at your past pay stubs. A big part of making a budget or a knowing how to make a monthly budget is figuring out where you can make adjustments. A great way to start out is to figure out your fixed and variable expenses. Fixed expenses are the things that stay the same every month. These include your mortgage or rent, car payments, and internet services. Variable expenses are things things that can change from month to month. These included such things as groceries, entertainment, and gifts. Did you know 2 out of 3 Americans don't know when, or if, they will ever be debt-free? Even those who see the light at the end of the tunnel believe they will take nine years to become debt-free. Wouldn't it be great if you could pay your debts off faster? Ugh, yes. Did you know 2 out of 3 Americans don't know when, or if, they will ever be debt-free? Well, knowing what you owe and evaluating your progress each month can help. When you know what's going out for recurring debt payments, you can effectively create a plan of attack to pay those babies down month by month. It may be tough to do, but it's important to sit down and start tackling your debt. Here are two things that helped us: List Out Debt and Create a Payment Plan: You can use the Dave Ramsey budget, the snowball method (pay off smaller debts first), or the debt avalanche method (pay off high-interest debt first). Remember, no matter what method you use, make sure you are making at least the minimum payments on all debts each month. Evaluate Your Progress Often: To keep up your energy and motivation, make sure you're regularly checking your progress. A good rule of thumb is to check your progress every month. Small amounts add up, creating big debts that you may find hard to pay off. So, financial awareness is a crucial component to getting your finances on track. In essence: To build wealth you need to stop wasting money. The best way to do this? See where you are currently spending. The 50-20-30 method can be used here to evaluate where you're spending and whether you're making a smart decision with your money. What is the 50 20 30 budget rule? Let's quickly review the 50-20-30 method: Allocate 50% of Your Income to Needs. This includes necessities like housing, electricity, gasoline, groceries and the water bill. Allocate 20% of Your Income to Debt Repayment and Savings. Debts include paying down such things as your credit cards and student loans. If you're looking to pay down credit cards debt faster, then you should check out the app Tally. How does it work? Tally will pay off your high-interest cards and then charge you a lower interest rate on the same balance. Save time and money. Are you paying more than 15% interest on any of your debts? If so, another good way to help you pay down your debt faster is to open up a SoFi personal loan. With low personal loan interest rates and a fixed monthly payment, you can get loans to pay off credit cards or pay off high-interest debt. For savings, you're leaving money on the table if you do not open a high-yield savings account. Right now, with just \$100, you can open a CIT Money Market account, which currently offers one of the highest interest rates on it's saving accounts at 2.45% APY (that's over 11 times the national average!). Allocate 30% of Your Income to Wants. This includes discretionary items like dining out or going to the movies. Are you within the ranges set by the 50-20-30 method? If not, this could lead to a personal budget deficit. What is a budget deficit? It means your spending more than your earning. Before that happens, you may consider finding ways to cut back. Learning how to make a budget goes above and beyond just numbers. You probably already have a list of financial goals.....saving for retirement, minimizing debt, buying a home (and likely a few others, too!)... Anyone can save for multiple goals, but doing so successfully means setting priorities. I recommend you start with one of these: Build an Emergency Fund: According to Dave Ramsey's budgeting tips, "the secret to being ready for your next 'unexpected' expense is to go ahead and expect it." He recommends saving it as fast as you can, because without it, you may feel like you have to go into debt to cover a surprise expense. You're not doing debt anymore, remember? So start saving that \$1000 today! Again, if you don't already have a high-yield savings account, I highly recommend you open one. Check out the CIT Money Market deal I noted in Step 7. Pay Off High-Interest Debt: If you have debt (which many of us do), paying it off needs to be a top priority. Start early and chip away at it frequently. Always try paying more than your minimum payment, especially off your highest-interest debt. Once you've paid off a debt completely, consider putting that same monthly amount toward retirement or savings, which I'll cover next. Also, if you are paying more than 15% interest on any of your debts, SoFi could really help you pay down your debt faster. More information about SoFi in Step 7. Get a Full Employer Match on Your 401(k): One of your most important financial goals should be getting your employer's full 401(k) match. It's FREE money, so you'd be silly to leave it on the table if you have the funds to make the necessary contributions. Of course, not all 401(k)s are created equal, and a lot have hidden management fees that can eat up your retirement savings. One way to see if your 401(k) is working for you is to use Bloom. Bloom will find those hidden fees, tell you if your portfolio is aggressive or not, and let you know if you're missing out by DY'ing your 401(k). Set Up Automated Saving for Retirement: While lower on the priority list than building an emergency fund or paying off high-interest debts, setting up an automatic savings withdrawal for retirement is always an excellent financial goal to pursue. If you never see it, you won't be tempted to spend it, right? Knowing what money you have coming in each month versus what is going out is key to achieving financial freedom. To do this, you can use the zero-based budget method. Again, it's really simple. All you have to do is subtract your expenses from your income. Here's how to evaluate the number you get: Positive Number: You have more than you spend. Depending on where you are in your debt journey, consider putting the surplus dollars into a savings account or putting the cash towards paying off more debt. Break Even: You have exactly enough money. You may consider adjusting your budget so you have money in the event that expenses come up that you didn't plan for. Negative Number: You're in a personal budget deficit. What is a budget deficit? You're spending more than you're earning. A good way to adjust your budget is to decrease your non-essential spending. Keeping connected to your personal budget plan can help you stay on track and meet your money goals. Tracking how you're spending your money only takes a few minutes, so it can easily be done. For example, a family using Dave Ramsey budget tips put a debt thermometer in their kitchen to keep track of their progress. By keeping their eye on the prize, they paid off \$105,000 in two years! Here are a few ways to stay focused on tracking: Set a Reminder or Use an App: If you are using a monthly budget worksheet, creating a reminder (think a sticky note or appointment on the calendar) can be very helpful in forming a habit to track your money. There are also apps out there that do all the work for you. For example, you can use Personal Capital, which are explained in more detail in Step 3. Check Transactions Daily: Carve out a few minutes at the same time each day to list out your purchases. You're good to go if you didn't make any purchases that day, but, if you did you, write those down. It's also a good way to keep a pulse on your daily spending habits and quickly identify ways to decrease your non-essential spending. A key to how to create a monthly budget that works for you is to know your needs and goals will change, and, therefore, your budget will change, too! From starting a new job to getting married, to having your first child, there are many life events that will change your financial situation. You could be missing a lot of opportunities to improve your finances if you're not keeping an eye on your monthly budget during these life moments! It can be easy to lose sight of budgeting, let alone evaluating your budgeting, when a major life event happens. Resist the temptation and make sure you're asking yourself these questions on a regular basis: Is my budget helping me reach my goals? This will usually be pretty straightforward, but if something significant changes, this is your time to make adjustments. Where are areas I can improve my budget? This is so crucial, so I'm repeating it again: Always be evaluating where you can cut costs. Saving a few bucks a day might not seem like much, but it can really add up over time. Budgeting can be tough but it can be done. Here are different tips and tricks to create a budget system or just learn how to budget money on a low income: This section is a summary of the details mentioned above. To create a budget plan online or offline, here's the detailed information you need: Decide to start a budget