

# Budget Basics

Manage your spending and create financial habits



Have you ever ended a month wondering where all your money went? Are you curious about what you spend your income on? A budget is a written plan that shows you how much money you bring in and how much money you spend. Budgeting is a critical component to managing your wealth and can help you decide where to allocate your funds and avoid over-spending. Budgets can look different for everyone and can be detailed to separate your spending into categories like fuel, groceries, and entertainment, or can be simple and stick to the basics. The bottom line for every budget is creating a system that is realistic and one you can stick to throughout the year. Any budget should start by listing the items below.

## Income

Income is the total amount of your monthly paychecks after taxes and other deductions like employer-provided health insurance premiums or retirement contributions. Deposit these funds into a checking and/or savings account so you know how much you have to spend on expenses.

## Expenses

Expenses are the items you spend your money on every day. There are two main categories of expenses: fixed and flexible. Fixed expenses include necessities that can't be eliminated and are the same amount each month. Your monthly rent or mortgage payments, your phone bill, any debt payments like your car or student loans, and insurance are examples of fixed expenses. You may even have these set up as automatic payments, so you don't forget their due dates. Flexible expenses can be a different amount every month. These expenses can include necessities like groceries, some utility bills that are based on usage, fuel, and other day-to-day needs. Flexible expenses can also be fun items not required for basic survival, but make you happy. Most sources of entertainment like going to dinner and a movie with friends, concert tickets, ordering lunch to the office, etc. vary month to month. Buying gifts, splurging on a new pair of shoes, or replacing your laptop are all flexible expenses as well. Any money that comes out of your bank account and is spent on any item should be included as an expense in your budget.

## Savings

If you are in the position to save, do as much as possible and make it a priority when creating a budget. Some employers allow you to direct deposit your paycheck into more than one bank account, which can make it easy to save a certain dollar amount every month by putting it aside in a savings account automatically. It's also a good idea to transfer any income that was not spent on expenses throughout the month into a savings account. Savings can be divided into different categories or priorities you want to save for the future. Typical savings buckets to put money towards include traveling, buying a new car or house, major home repairs, replacing broken items, a medical emergency, a college fund for you or your children, and even holiday spending.



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