

Caitlin
Consumer Credit College Scholarship - Budget Essay
23 April 2017

The Power of a Budget

We've all had a time when we're at the store, or simply browsing online, when something pops out at you and you just *need* to buy it. Of course, 99% of the time, the item isn't actually essential for survival. However, we may find ourselves buying it anyway. Once or twice on a cheap item may be okay, but if one regularly spends extra cash on unneeded wants, the spent cash will begin to add up, and can become an issue. So how can we save ourselves from overspending on things we don't need? This is where our friend, the budget, comes in.

A budget may sound scary to some, but it's really a helpful tool to help you manage your finances. To create one, find out your monthly income. Once you have a good range of your monthly income, you'll need to do a little thinking ahead. Think about all the essentials that you'll need to purchase over the course of a month, such as food, gas, and bills. You can use knowledge about your previous spending to calculate the net total of your expenses. You can then make a chart detailing your spending plan.

For a basic example, let's say you have a monthly income of \$2,000. Right away, you can subtract your fixed expenses, such as rent or other payments. Let's say your rent each month is \$620, and you have to pay a monthly car loan payment for \$200. You'll also have to keep in mind other bills that aren't included in the rent. These can potentially fluctuate each month, so it's good to have a ballpark range of where it will be at. Let's say your total bill amount this month is \$500. You'll also have expenses that will change each month, such as food and clothing. And of course, what's life without some entertainment? You'll treat yourself to \$60 worth of eating out and a movie with a friend. This month, these expenses cost you a combined \$560. After subtracting all of these expenses, there's \$120 left.

So what will you do with this extra money? Before you go eyeing that new video game console, remember your budget! You can't just go spend all of your money. You *must* save for unexpected events, like a hospital visit. Having a general savings account is also a great idea. You decide to put \$30 into your savings account and \$30 into your emergency fund, leaving you with \$60. With this, you can just have some extra leftover money in case you need more food or some other necessity.

In order for a budget to be effective, you have to stick to it! Before you go shopping, make a list, and only buy things that are on the list. Clearly mark the maximum amount that you will spend, and don't go over that. Envision a life of financial security, and your budget will become a new best friend.