

Checklist:

How to Create a **BUDGET**

If you want to get your finances in order, the first step is to create a budget.

As Dave Ramsey and many other personal finance experts point out, having a budget isn't about depriving yourself or never having fun. It's about telling your money where to go instead of wondering where it went. A budget doesn't take away your freedom; **it gives you freedom!**

1. Add Up Your Income

A budget involves a simple mathematical equation: income minus expenses. First, add up your monthly net income and your spouse's (*if applicable*). If your income varies from month to month, say from \$5,000 to \$10,000 – use the lowest number (\$5,000). That way, if you have a bad month, you'll still be able to cover your expenses. Anything extra can go straight to debt or savings. Next, you will need to total your expenses.

2. The “Four Walls”

Dave recommends starting your budget with the “four walls” – these are your most important and essential expenses: food, shelter, transportation, and basic clothing. Please note that these are all basics – the four walls are necessities, but you do not NEED a house with a \$5,000/month mortgage (*unless perhaps you live someplace where the cost of housing is insane*), a \$50,000 car, outings to fancy restaurants every week, or an entirely brand new wardrobe every month.

3. Other Bills

Next, add up your other bills/expenses for housing, health, and insurance.

4. Savings & Debt

What are your goals? How you answer this will depend on where you are with **Dave Ramsey's seven baby steps**. If you don't have an emergency fund yet, your main priority should be saving up \$1,000 as quickly as you can. If you're good to go on that, the focus should be on baby step #2 – paying off debt. Once you're debt free (*aside from the mortgage*), the next step is saving 3-6 months of expenses.

Depending on your situation, decide how much money you would like to allocate toward savings and/or debt payoff.

5. Fun Money

How much you reserve for “fun money” (*vacations, entertainment, etc.*) depends on the status of your other goals. If you want to pay off a high amount of debt quickly, you might not put any money toward entertainment or vacations for a while. If you’re debt-free and have a good chunk of change in savings, you might put a sizable amount of money toward fun.

FAQ

Here are some frequently asked questions about budgeting.

What if I don’t have enough money to put anything toward debt or savings?

There are two things you can do: cut your expenses or increase your income. What can you cut from your budget? Do you need cable when you use Netflix instead? Do you need a home telephone? What other bills aren’t necessary? How much are you paying for your home or your car? Could you downsize?

If you’re already living somewhere cheap, driving a junker, and living on a bare bones budget... and you still can’t seem to make any progress on your debt or savings goals, you have an income problem. You could try asking for a raise, working overtime, getting a side job, doing freelance work, finding a better job, or [starting a money making blog](#).

What if my income varies from month to month?

If your income varies from month to month, say from \$5,000 to \$10,000 – use the lowest number (\$5,000). That way, if you have a bad month, you’ll still be able to cover your expenses. Anything extra can go straight to paying off debt or building savings.

Monthly Budget Checklist

Basics	Spent	Budget
Food <i>(groceries)</i>		
Shelter <i>(mortgage or rent, association dues if applicable)</i>		
Transportation <i>(gas, oil, repairs, fees)</i>		
Basic clothing		
Total		

Housing	Spent	Budget
Repairs		
Real estate taxes		
Electricity		
Water		
Trash		
Gas		
Phone(s)		
Internet		
Cable/Netflix/Hulu		
Total		

Health	Spent	Budget
Over the counter medications		
Prescription medications		
Doctor visit copays		
Supplements		
Total		

Savings	Spent	Budget
Emergency fund		
Retirement		
Total		

Insurance	Spent	Budget
Medical/Vision insurance		
Dental insurance		
Life insurance		
Homeowner's or renter's		
Car insurance		
Disability insurance		
Total		

Debts	Spent	Budget
Student loan 1		
Student loan 2		
Car payment 1		
Car payment 2		
Credit card(s)		
Total		

Personal	Spent	Budget
Toiletries		
Makeup/Hair care		
Gifts		
Pet supplies		
Baby supplies		
Subscriptions		
Vacations		
Entertainment		
Fun money (<i>his</i>)		
Fun money (<i>hers</i>)		
Total		

	Spent	Budget
Grand Total		

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