Financial Wellbeing

How to Collect Data for Your Budget

A budget, also known as a spending plan, allows you to get a handle on the flow of your money, how much you make and how much you spend. With that information in hand, you can create a realistic plan for your hard-earned cash.

List Your Expenses

The first step in making a realistic budget is figuring out where your money currently goes. This week's goal is simply to get a picture of your current financial situation. You might be unhappy with what you find. For example, many people are surprised to really see how much they spend. But don't be discouraged. Knowing your current situation is crucial to creating the budget that you will start in next week's module.

Record your regular expenses

(housing, transportation, medical, etc.). You can estimate regular expenses pretty easily by reviewing bank and credit card statements. You can create your own spending categories or use the Home and Budget Analysis Calculator or the Expense and Income Worksheet.

Don't forget the cash!

We often wonder, "Where did that $20 go?" Those incidental expenses add up, and they can tell you a lot about your spending habits and priorities. Use Fritter Finder worksheets or use your own system to track your cash outlays. Unfortunately, most computer programs that track expenses only analyze your check or credit card payments -- they don't record your cash outlays.
Once you've got a rough idea of your total expense, create a monthly average in each spending category. These are your total average monthly expenses.

List Your Income

Your expenditures account for only half of the picture. You also need to add up your monthly income.
Using a recording method of your choice, the Expense and Income Worksheet, or the Home Budget Analysis calculator, list the jobs for which you receive a salary or wages. Gather recent paystubs to track paycheck incomes and deductions. Then list all self-employment for which you receive income, including farm income and sales commissions.

Finally, list other sources of income, such as:

- bonus pay
- dividends and interest
- alimony or child support
- pension or retirement income, and
- public assistance

Record net income.

Next to each source of income, list the net (after deductions) amount you receive each pay period. If you don't receive the same amount each period, average the last 12. Next to each net amount, enter the period covered by the payment -- such as weekly, twice monthly (24 times a year), every other week (26 times a year), monthly, quarterly, or annually.

Determine monthly income.

Finally, multiply the net amount by the number of pay periods to determine the monthly amount. For example, if you are paid twice a month, multiply the net amount by two. If you are paid every other week, multiply the amount by 26 (for the annual amount) and divide by 12.

When you are done, total up all the amounts. This is your total average monthly income.

CONGRATULATIONS! You've completed an essential step in money management.

The next steps are to plan how to adjust income and/or expenses to meet your goals.

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