

# What Is a Budget?



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## What Is a Budget?

A budget is a plan. It is a financial plan.

A budget is a plan that you complete every month. During each month, you will write down how much money you spent. You will write down how much money you made. If you want to stay out of debt, budget!



A budget has different categories. It is a place to write down the following:

1. How much money you will have (income).
2. What you have to spend.(fixed and flexible expenses).
3. How much you want or need to save (savings).
4. How much you would like to spend (discretionary expenses).

Answer some simple questions to get started.

## 1. How much money will you have?



A budget always starts with what you expect to have. From there, you decide how you want to spend what you have.

Let's say that you expect a paycheck every month for \$1,900.00. That means you will have \$1,900.00 to spend.

This budget category is called **Income** (in-come). It keeps track of what comes in. It could be a salary, tips, or a bonus.

How much money do you have at the start of every month?

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What other income do you have?

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The next category is called **Expenses**.



## 2. What do you *have to* pay for?



You have to spend money on certain things. You don't have a choice. Some of those things might be car payments, rent, loan payments, electricity, or water.

Some of those payments are always the same. Those are called **fixed expenses**. They are usually the same amount every month. They may change a little, but not much.

Write down your fixed expenses below. Remember, those are things that you have to pay every month. The amount is usually the same.

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

d. \_\_\_\_\_

Continue your list on a separate piece of paper. Those things will go into your budget later.



You also have to pay for things that may vary a lot each month. For example, in the winter, you may use a lot more electricity. You may spend different amounts for food or for gas for your car.



Those are necessary payments, but they are flexible. Those are called **flexible expenses**. That means that they change every month. Write down a few of your flexible expenses.

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

d. \_\_\_\_\_

Continue your list on a separate piece of paper. Those things will go into your budget later.



### 3. How much do you want to save?



This is a very important part of a budget. We all want something that we can't buy now. It is important to save a little bit every month. That way, we know the money will be there when we need it or want it.

Let's say that you know you will spend at least \$350 every year on car repairs. You need to save a little money every month for that. You may have a child who will need school clothes in the fall. You need to save for that. You may want to visit your family in another town. You need to save for that.

Write a list of things that you want to save for.

a \_\_\_\_\_

b \_\_\_\_\_

c \_\_\_\_\_

d \_\_\_\_\_

### 4. What would you like to spend?



This list has things that you would like to spend money on. You are not sure of how much you will spend on these things. Things in this category change a lot every month.

This category could include clothes, repairs, eating out, furniture, entertainment, or office supplies. Yes, you have to buy clothes and make repairs, but you don't know how much money you will have to do that. Sometimes, you might need to go without buying that jacket or a new microwave.

Those things are called **discretionary expenses**. They also change. The word *discretion* means to have the power to decide on something.

Write a list of things that you want to include in your discretionary budget area.

Write a list of things that you want to spend on if you can.

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

d. \_\_\_\_\_



**Match the name with a definition.**

Print out the flashcards from the link below. You can practice the words in several ways.



For example:

1. Cut the cards into individual boxes. Place the definition and the word next to each other.
2. Play Concentration with the cards.
3. Print or paste/laminate the two pages back to back, then cut the boxes. Each card will have the name on one side and the definition on the other. You can test yourself on the answers.
4. Play Hangman with the names.

[CLICK HERE TO OPEN BUDGETING FLASH CARDS](#)

Now you are ready to create a budget! You will do that in another unit.

<b>CATEGORY</b>	<b>BUDGET AMOUNT</b>	<b>ACTUAL AMOUNT</b>	<b>DIFFERENCE</b>
<b>INCOME:</b>			
Wages and Bonuses			
<b>EXPENSES:</b>			
<b>HOME:</b>			
Mortgage or Rent			
Homeowners/Renters Insurance			
ETC...			