

Budgeting Curriculum

AN INTRODUCTION TO BUDGETING

What is budgeting?

Budgeting is about understanding and controlling: how much you earn, how much you spend and on what, and the difference between your income and expenditure.

A budget is a set amount of money that you decide to spend on something or some group of things. Basically, it's your spending limit. Budgets tend to be allotted by the amount of money you spend over a set item or group of items over a specified period of time. If your grocery bills add up to about **\$90 a week**, then you are currently budgeting **\$90 a week** for groceries.

Why is budgeting necessary?

Some form of budgeting is a necessity if you hope to meet short and long-term financial goals. One's ability to control debt is often a good measure of the success of their budgeting methods. For some, a budget is a detailed process of tracking each source and use of their money. For others, it is as simple as setting aside their savings first, then using the remainder for day-to-day living expenses.

Most people have only a vague idea of where their money goes, but they generally find that it doesn't go as far as they think it should. The solution is creating and maintaining a budget, an itemized description of income and expenses. This will enable you to determine how you spend your money, get more out of the money you have, and make it easier to meet the financial goals you've set for yourself. While you might not consider it the most enjoyable activity, it's a necessary evil in your pursuit of financial success.

Simplicity

A budget should be simple. The more complicated the budgeting process is, the less likely a person is to keep up with it. The purpose of a personal budget is to identify where income and expenditure is present in the common household; it is not to identify each individual purchase ahead of time. Remember, many small purchases can generally be lumped into one category (Car, Household items, etc.).

Flexibility

The budgeting process is designed to be flexible; individuals should have an expectation that a budget will change from month to month, and will require monthly review. Excessive expenditures in one category of a budget should in the next month be accounted for or prevented. For example, if an individual spends \$40 more than they planned on food in spite of their best efforts, next month's budget should reflect an approximate \$40 increase in food and corresponding decrease in other parts of the budget.



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