

Budgeting

Budgeting is a way of knowing what you're spending, and what you've got to spend. It's that simple. It's a great idea to do a budget every time you have a big change in either income or expenses – like getting a new job, or financing a car. The tighter your budget is, the closer you'll have to keep an eye on it.

Why should I do a budget, anyway?

Having a budget and sticking to it is a way for you to live within your means, which means is comfortably with the amount of money you have - and not spending what you don't have. Although that might not sound fun, the reality is that you'll feel better and have less worries when you do. When you're in college, "less worries" are a whole lot better than a new jacket or a weekend away.

What goes into a budget?

EVERYTHING. Don't forget annual expenses: things like car tags, books, and travel plans for the summer all have to be budgeted for. There are some sneaky expenses to remember, too, like deposits you'll need for renting an apartment, and regular maintenance on your car.

What's so hard about budgeting?

The more frequently your money comes in, the easier it is to stick to your budget. Weekly is pretty easy – even if you blow it, you only have a few days to wait until more cash comes in. Every other week is still pretty good: in fact, every two weeks is how the majority of people get paid. If your money comes only once a month, it can be a bit harder to plan. If you receive most of your income quarterly or twice a year – like from financial aid – budgeting gets even more important... *and more difficult.*

Retail Therapy

Sometimes, when you take money and put it aside for use over the following few weeks, it just doesn't stop tempting you! The little voice inside of your head keeps saying, "Get the new bag – you need it for school." "The shoes you wanted are on sale – you can't pass this up!" "You deserve it – you've been working so hard!" This is what is known as retail therapy: spending with abandon and no thought of things like how you're going to eat.

The emotional lift that comes from retail therapy is short lived. Actually, “short lived” is an understatement. The come-down can be stressful – or even downright depressing! On items like shoes and clothing, the buzz is often gone after the first wear. Bummer.

Sometimes waiting actually feels better!

Here’s a formula you were never taught in math class:

$$\text{Retail Therapy} = \text{Financial Drama}$$

You didn’t really have the money, but you spent it. Now you don’t have any money, and you need it. You felt great while you were spending money, but now you feel bad – and maybe a little bit queasy.

Instead of dealing with these ups and downs, another option is to wait until you actually have the money to buy something. It leaves you feeling empowered and in control of your life. Retail therapy is a little bit like stealing from yourself. Waiting until you can afford something is rewarding yourself, and it feels fantastic!

Unexpected Expenses

If you can think of it, it has to be budgeted for - but what about things you could never see coming? Needing a new set of tires on your car, or getting a parking ticket? What about getting sick, and not being able to work for a day or two? That’s where saving money comes in – we talked about it in the banking section.

Planning and saving for unexpected expenses is hard. There is no warning when these expenses are coming, and no guarantee that they’ll show up at all! So do you really want to take \$20 and put it away for something that may or may not happen, or would you rather go out for a night on the town, or treat yourself to a nice lunch? One is infinitely more attractive than the other, but...

Simply put, saving money is how you put distance between you, and poverty. Not having enough money is stressful. In college, you have enough to think about, without adding money worries. So put a little aside and live free!

How do I know what my budget is?

There are only two sides to a budget: Money coming in, and money going out. Below is an example budget. This person has it pretty sweet; they don’t have to pay rent or a car payment, they get a monthly allowance, and their Mom buys