

David Towler

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Hannah Walker

Developing a Monthly Budget

Most people have never operated on a personal written budget. Taking the time to design a monthly budget will help one live within their means. The budget will act as spending plan to assisting individuals in reaching their financial goals. The initial development of a monthly budget can be challenging, especially if one has never created one, as it takes quite an effort to track down all known expenses. But once this challenge is met, an individual will be moving forward in their path to financial stability.

In order to draft a monthly budget one only needs a pencil and paper, access to their bank account or checkbook, and information on all expenses. It is vitally important that one take the necessary time to gather all the needed facts regarding all expenditures. By doing so, will avoid overspending later from neglecting to add certain expense items. This is a crucial step in creating a successful monthly budget.

Once one has organized all the needed financial information, they may start sketching a rough draft of the monthly budget. First, one will need to determine their monthly take home pay. Be sure to calculate total income from all sources. For some, this may be easier than others, depending on how frequently one is paid. For example, some employers pay every week, every two weeks, or monthly. Those who are on an irregular income such as, commission

or fluctuating hours, can search the internet to obtain valuable resources and forms on creating a budget for an irregular income. No matter how one is paid, it is still profitable to create a monthly budget.

The next step after totaling one's income is to write down all expenses. On a sheet of paper, list main categories as the following: debts, insurance, personal, recreation, transportation, utilities, medical, housing, savings, charity, and other. Now using the main categories, place each expense under the category that it fits the most. For example, under "utilities" place items such as: electricity, gas, water, trash pickup, phone/mobile, internet, and cable. Now using the financial information previously collected, budget an amount for each item. For instance, if the cell phone bill is usually \$56.96, it would be best to budget \$57.00 a month for this line item. Continue to list each expense until all items are categorized. Any items that do not seem to fit into the main categories can be listed under "other". The important thing is that all expenses are accounted for.

Once the expenses are properly categorized, calculate the total under each main category. For instance, for the main category entitled "debts," and underneath are the following: credit card payment, car loan, and student loans. Figure up the total amount budgeted by adding the monthly payment for the credit card, car loan, and student loans. This will give the total budgeted amount for the main category "debts". Continue until each main category has a total. Then take the total from each main category, and add them together. This will give the overall total monthly expenses.

By this point, it is not unusual for someone to discover that their expenses exceed their income. Do not panic! This is the reason to create a monthly budget in order to help live within one's means. Now that the person has a good idea of their income and expenses, they can make adjustments. Making adjustments to the monthly budget is key. It is not an exact science, and it will need to be amended and adjusted accordingly. The main objective is to get expenses less than their income. Each individual will need to determine what changes can be made in their personal life, that will allow them to achieve this goal. It will be important to draft a new budget each month, as the monthly situation will vary. Usually it takes around three months of maintaining a monthly budget for one to get comfortable with the techniques that will work best for them.

In summary, a monthly budget can be accomplished by the following: organize financial information, determine monthly income, total all expenses, calculate main categories, and make necessary adjustments. This process of drafting a monthly budget can prove to be very helpful in controlling one's personal cash flow. By designing a monthly budget will assist one to live within their means. This is the beginning on the path of obtaining financial stability. Determine today to take the time to generate a personal monthly budget.