

Budgeting Basics:

Where to Start

Budgeting — a spending plan based on income and expense — is one of the essential components of a financial plan. Creating a plan and tracking your expenses can help you live within your means, pay bills on time, and save for the future.

To start, use our [budgeting worksheet](#) to help with the following:

1. Add up your monthly income.

Income is the monthly money you receive (your “take home” pay), including your paycheck and money earned from side jobs. This includes regular payments for disability, Social Security, alimony, or child support, if applicable.

If your income fluctuates, determine your average income when creating a budget.¹

2. Add up your monthly expenses.

Create a list of your monthly expenses, such as rent, mortgage, or childcare. These are called fixed expenses, or expenses that are the same every month. Next, list your variable expenses like food and gas, which are the costs that change from month to month.

Use your bank and credit card statements to help calculate averages for your variable expenses based on your past spending. Don't forget to include money for savings and personal spending.

3. Subtract your monthly expenses from your monthly income.

Subtract your total monthly expenses from your total monthly income. If you have money left over at the end of the month, consider putting it towards your savings or using it to pay down



What You Need to Know

- To start a budget, list each source of income and how much you typically receive per month.
- List your fixed expenses such as rent, mortgage and car loan payments. Next, add in your variable expenses like food, phone, and utilities.
- Subtract your total monthly fixed and variable expenses from your total monthly income.
- If you have money left over at the end of the month, consider putting it in an emergency savings account or using it to pay down debt.

debt. If you get a negative number, you can cut your variable expenses or consider making extra money by working overtime or getting a second job.

4. Track your expenses.

Once you create your budget, it's important to track every transaction and account for every dollar you spend. You can write each transaction down as they occur or on a daily or weekly basis, whatever works for you. Tracking your expenses will make it easier to assess whether you are sticking to your budget or need to adjust it.

Tips for sticking to and living within a budget

Sticking to a budget takes patience and determination, but it will help you gain a stronger financial footing. Consider these tips to help you stick to your budget:

- Pay with cash or use your debit card to avoid increasing your debt.
- Set up automatic payments for bills.
- Use direct deposit from your paycheck to your designated savings account.
- Wait on large purchases to make sure that you really need them.
- Review your budget once a month to see if your income or expenses have changed.

Here are a few simple ways to help you live within your budget:

- Make your coffee at home instead of buying it at the coffee shop.
- Pack your lunch instead of going out or ordering food.
- Cancel any subscriptions or memberships you may not be using, like streaming services or the gym.
- Review your auto and home insurance to make sure you are getting the best rates.

Although some people hesitate to sit down and create a budget, budgeting has many advantages. It gives you control of your spending and saving, keeps your debt under control, and reduces stress. Ultimately, budgeting can help you create a strong financial foundation.



¹ Discover, 4 tricks for budgeting on a fluctuating income, December 2023.

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