



# WAEPA CHECKLIST

## How to Create a Budget in 8 Steps

Having and sticking to a budget is an important component in achieving your financial goals. However, creating a budget can be daunting, especially if you've never done so. Follow this helpful checklist, which will walk you through how to build your budget in just eight steps.

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### Determine Your Income

The first part of creating your budget is having a full picture of how much money you're able to spend. Compile all of your various sources of income – your take-home salary, any pensions or annuities, or other secondary streams of income. This total amount is what you have available to include in your budget.

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### Assess Your Expenses

Next, figure out where your money is currently going and make any necessary adjustments. You can divide your expenses into two categories: fixed expenses and variable expenses.

Your **fixed expenses** are anything recurring, such as rent, insurance premiums, car payments, a gym membership, and subscriptions.

Meanwhile, **variable expenses** include spending that changes every month, including food, utilities, clothes, entertainment, and personal care.

Combine your fixed and variable expenses to see where your money is going and how you are spending.

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## Track and Adjust Your Spending

Consider tracking all your expenses, at least for a length of time. Small transactions like coffees or lunch can start to add up and tracking every purchase will give you a sense of where your money is **really** going.

At this point, you might see that you're spending more than you'd like, or even more than you're earning. Identify opportunities to cut back on both your fixed and variable expenses. Perhaps there's a streaming service that you haven't used in years but that you're still paying for. Maybe you pack lunch for work once a week to limit your eating-out expenses.

It's important here to identify your non-negotiables. Budgeting doesn't mean that you cut out all "non-essential" purchases, rather, that you've accounted for this cost. If you decide that your weekly Friday latte is a must-have, include it in your budget and enjoy your coffee run, guilt free.

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## Subtract Your Expenses from Your Income

Use your total income and total expenses (fixed and variable) to find the difference between them. This will show how much wiggle room you have in your budget.

If your expenses still show that you are outspending your earnings, continue to adjust so that you are living within your means.

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## Set Your Financial Goals

Consider both your short- and long-term financial goals. Do you have debt to pay off? Add a line item into your fixed expenses to account for any loans you need to make monthly payments for. You could do the same strategy if you're looking to build up an emergency fund or other savings. Building your financial goals into your budgeting can help you stay on track to achieve them.

**Related Resource:** [What is Financial Wellness \(and Why Does it Matter\)?](#)

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## Determine Your Budget Strategy

There's isn't one correct way to build and track your budget. You should decide what works for you and your current financial goals. Here are a few common budgeting systems you can follow:

- **Envelope System**

This is a classic approach to budgeting. Put your money into categories, or envelopes, such as food, entertainment, groceries, etc. Once you've spent all of your money in one envelope, you're out for the month unless you take from another category.

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- **Zero-Based Budgeting**

A zero-based budget allows you to account for every single dollar in your budget and can be effective for ensuring that you know exactly where your money is going. Once you have found the difference between your income and expenses, allocate the remaining money towards saving and paying off debt, until every dollar has been accounted for and your balance is zero.

<b>TOTAL MONTHLY INCOME</b>	<b>\$5,000</b>
Fixed Expenses	<b>\$3,000</b>
Variable Expenses	<b>\$1,000</b>
Student Loan Payment	<b>\$300</b>
Travel Fund	<b>\$150</b>
Retirement	<b>\$150</b>
Emergency Fund	<b>\$400</b>
<b>AMOUNT LEFTOVER</b>	<b>0</b>



- **50/30/20 Plan**

Finally, with this budget, you'll divide up your total income, allocating **50% to necessities** (rent, car payments, groceries, etc.), **30% to discretionary spending**, and **20% to financial priorities** (savings, paying down debt).

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### Build Your Budget

Now that you have your expenses, income, savings goals, and budget strategy in place, it's time to build your budget!

Again, there's no one right way to do this. You could use a spreadsheet to track all of your budgeting information. There's also a variety of apps and other platforms. The most important part is that whatever tool you decide to use works for you and is something you will use long-term.

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## Review Your Budget Regularly

With your budget built and system in place, it's important to periodically review your budget to ensure that it's still working for you. Make small or large adjustments as needed to stay on track.

Consider adjusting your budget on a monthly basis to anticipate upcoming expenses. Months with birthdays or celebrations will likely see an increase in spending, as well as the holiday season or times you may be traveling. Additionally, be sure to account for semi-annual or annual expenses in the months when you pay for them.

Keeping a budget may seem overwhelming or difficult. However, if you establish a system that works for you, you will hopefully feel empowered in knowing where your money is going and being on track to reach your financial goals.

### WAEPA'S FREE FINANCIAL WELLNESS PROGRAM



WAEPA members have access to a free Financial Wellness Program through our partnership with Ernst + Young (EY). This program includes access to tools and financial advisors to help manage day-to-day finances and work towards long-term goals.