



Budgeting Basics for Teens

If you're a teenager, setting up a budget probably isn't at the top of your to-do list. But learning how to set and follow a budget now could greatly increase your financial success as an adult. For help getting started on your budgeting goals, simply read the tips below!

Step One: Calculate your monthly costs.

Before you can set up a sensible, realistic budget, you must first determine how much money you spend on a monthly basis. The best way to figure this out is to write down all your expenses and purchases for one month, and then add up the total.

Step Two: Determine your average monthly income.

Though most teens don't have a consistent source of income, it's usually possible to get at least some sense of how much money you make in a given month. Simply jot down any allowance you receive or income you earn for one month, and then — just as you did in step one — add everything up to figure out your average monthly income.

Step Three: Separate your expense categories.

Typical budget expense categories include housing, food, transportation, entertainment, clothing, etc. As a teen, you'll likely find not all these expense categories apply to you, but a quick glance at the monthly expense sheet you created in step one should help you figure out the categories needed for your specific situation.

Step Four: Analyze your saving and spending habits.

The next step in creating a successful budget is to review your average monthly costs and income. First, take a moment to ensure your income exceeds your expenses. If not, you'll want to figure out ways to cut back or earn more income. Then, look at your spending in each category: How does it compare? What's necessary? Are there areas you could cut back?

Step Five: Allocate your funds.

For each expense category you noted in step three, determine the maximum amount of money you can spend in that category per month. Of course, you'll want to make sure the total amount doesn't exceed your income! And don't forget to also set aside in your budget an amount you plan to save each month. At a minimum, you should try to save at least 10% of the money you earn.

Step Six: Track your progress.

At the end of each week, review your expenses and determine if you're staying on track with your budget. For instance, if you've already spent 75% of the money allotted to your entertainment category by the end of the first week, you'll know you need to be wary of any additional entertainment expenses so you don't exceed your budget goals for the month. Also, as you become older—and your income and expenses increase—you'll want to keep checking and revising your budget to ensure it continues to meet your needs.

It's true that setting up a budget can take some time, but the rewards of good financial management will one day pay off in a big way! Have more questions about budgeting basics? Stop by Democracy Federal Credit Union and speak with our complimentary Financial Counselor - We'd love to help!