

## Universal Guide to Budgeting

No matter where you are in the world, budgeting is a powerful tool for achieving financial wellbeing. By planning your spending, saving and investing, you can gain control over your money, prepare for unexpected events and work toward long-term goals.

### Understanding your income

Your budget starts with understanding how much money you have coming in. Income can come from various sources, including:

- **Salary.** Your regular paycheck or wages.
- **Freelance or contract work.** Side jobs or freelance gigs.
- **Investments.** Dividends, interest or profits from investments.
- **Government assistance.** Benefits, pensions or subsidies you may receive.
- **Family assistance.** Salary of a spouse or other family members contributing to household income.

Calculate an average monthly income if you're paid monthly, weekly or irregularly. If you have a variable income, base your budget on the minimum amount you can expect to earn and adjust as more comes in.

### Tracking expenses

Understanding your spending is essential to budgeting effectively. Track your monthly expenses to get a realistic picture of where your money goes. Expenses fall into two main categories:

- **Fixed expenses.** These are regular, predictable costs like rent, mortgage payments, insurance, car payments and loan repayments.
- **Variable expenses.** These can fluctuate, including groceries, utilities, transportation and entertainment.

Most people also find it helpful to separate essentials (needs) from non-essentials (wants). Essentials include costs necessary for your day-to-day life, while non-essentials are things you can live without.

## Setting goals for savings and spending

Budgeting isn't just about limiting spending—it's about allocating resources to support your goals. Consider both short-term (within a year) and long-term financial goals.

Common goals include:

- **Emergency fund.** A fund to cover unexpected expenses, typically three to six months of living costs. Having a buffer helps you avoid debt when unexpected expenses come up.
- **Debt repayment.** A plan to reduce and eliminate debt, prioritizing high-interest debts first.
- **Big purchases.** Saving for significant items or experiences, like a new car, furniture, large appliance, travel or home improvements.
- **Retirement.** Set aside money and invest in your future, even if retirement is years away.

Once your goals are clear, you can allocate portions of your income toward each goal.

Remember, you can start small. Even if you can only set aside a little each week, that is something. Avoid debt where possible. Be mindful of credit card usage and high-interest loans.

## Building a budget

A common budgeting rule is the **50/30/20** rule:

- **50%** of income for needs (essentials)
- **30%** for wants (non-essentials)
- **20%** for savings and debt repayment

This ratio may need to be adjusted depending on your income and goals. For instance, if you're focusing on debt repayment, you might put 30% toward debt and 20% toward wants.

If the 50/30/20 rule doesn't work for you, create a customized plan that better reflects your unique financial situation. The key is finding a balance that supporting your current lifestyle and future goals.

## Tracking and adjusting your budget

A budget isn't set in stone; it should evolve with your life. Track your monthly expenses and compare them to your budget to see how well you stick to them. If you overspend in one category, adjust others or rethink your priorities.

Here are some ways to track your budget:

- **Manual tracking.** Write down expenses or use a spreadsheet.
- **Budgeting apps.** Many apps can automatically categorize your spending.
- **Bank tools.** Some banks provide spending and budgeting tools in their mobile apps.

Review your budget regularly and make adjustments as needed. If your income increases, you may want to allocate more toward savings or debt repayment.

## Stay accountable and motivated

Budgeting requires discipline, but it doesn't have to be restrictive. Keep your goals in mind and remind yourself of the rewards, such as financial stability, peace of mind and the freedom to make choices.

Here are some tips to stay on track:

- **Check in.** Do a weekly evaluation of your spending to prevent overspending.
- **Celebrate milestones.** When you reach a savings goal or pay off debt, take time to recognize your achievement.
- **Stay flexible.** If an unexpected expense arises, revisit your budget and make adjustments.
- **Be patient.** Financial goals take time, but consistent budgeting will get you there.

Be mindful about budgeting. The numbers you are working with aren't just about numbers; it's about gaining control over your financial future. Budgeting can help you feel more secure and capable whatever your financial goals.

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