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WEST ALABAMA

### **Creating a Budget: Easy Tips to Get Back on Track after the Holidays**

Budgeting is never fun – no matter how old you are, no matter how much money you make – but it’s an important part of maintaining control of your finances. So you might as well get a handle on it now while budgets are small and expenses are few.

Now that you’re back to your routine after the oversleeping, overeating, and maybe even over-spending of the holidays, this might be an ideal time to reinstitute the discipline of a real budget. Here are a few tips to get you started:

- **Step 1** – Create a budget. How will you know how much you can afford to spend if you don’t have a budget? It’s fairly simple in its most basic form: just make a list of all the money you make, all the things you must buy, and all the things you’d like to buy. Which leads us to step 2...
- **Step 2 – Separate wants from needs.** Do you need to eat lunch at a restaurant every day, or could you eat in the cafeteria? Do you need a new pair of shoes, or do they just look great with your outfit? Only you can make these decisions, and sometimes it takes practice to get the balance right.
- **Step 3 – Set up a checking account.** A checking account is a great way to manage your money, if you can do it responsibly. With a mobile banking app, you can easily track your account balance, and some even show you how your spending breaks down by category. It’s important to maintain a positive balance, though, because insufficient funds fees can be brutal (up to \$40 per transaction).
- **Step 4 – Use your debit card instead of credit when you can.** Some purchases are just too expensive to pay all at once, or they are urgent (like car repairs). That’s the time to use your credit card. For everything else, live within your checking account balance and pay with a debit card instead. Don’t use a credit card to pay for something you couldn’t otherwise afford. The worst feeling in the world is making payments on a meal you ate three months ago.
- **Step 5 – Protect your credit.** This may not seem like a budget item, but it will impact your ability to borrow money – and impact the rate you pay – for a long time to come. By limiting how many credit cards you have, making sure you make on time payments, and paying more than the minimum balances, you can establish a healthy relationship with credit – and establish a credit score to prove it.

Establishing these habits now will provide a solid foundation for your financial future. It definitely won’t be the most entertaining facet of your life, but it will absolutely be worth it in the end.