

Definition

A personal budget is a plan to track and monitor periodic income and expenses. The budget is a tool that is used to control expenses.

Steps to follow for effective budgeting:

- Set Your Financial Goals
- Estimate Income
- Prepare an Emergency Fund and Savings
- Estimate the Expenses
- Record Spending Amounts and compare to the budget. Then, calculate the variances.

Illustration Case

Let us look at the monthly budget for the Tarek and his girlfriend Samantha!
Background: Tarek, age 25, is single. He is in a committed relationship. He lives with his girlfriend Samantha and they are planning to get married in May 2022. Tarek Pays for the rent and the shared cellphone plans. Samantha pays for the rest of her own expenses. Tarek graduated last semester and shortly after that he landed a full-time job at a local bank. Tarek relied on student loans to finance his last two years of schooling at a local university. He also accumulated some credit card debt before starting his new job. Tarek's monthly take home salary is \$3,270.

Common Budgeting Mistakes and Solutions:

- Having too little emergency funds
- Overusing credit cards
- Overusing Student Loans
- Supersizing the house
- Getting used to living on two incomes
- Not having enough Insurance
- Delaying Education Saving
- Underestimating the cost of divorce.

Financial Issues to Resolve Before Marriage

- Who will pay the bills and manage the finances?
- How much should be saved every month?
- Who pays expenses associated with children from previous marriages?
- Who pays for the debt that precedes the marriage?
- Will each spouse retain individual control over some of the money?

Common budgeting apps with money management features.



MINT Features:

- Free
- Financial summaries and alerts via email or text message
- Downloaded Transactions are automatically categorized.

MINT Cons:

- Intensive Ads
- Lack of bill pay feature.



YNAP Features:

- Budgets bases on the money you currently have. Not the projected future income
- Syncs with multiple devices

YNAP Cons:

- \$11.99 per month or \$84 per year but the first 34 days are free
- Customer Service only available by email
- Lack of bill pay feature.



HomeBudget

HomeBudget Features:

- Accessible using your desktop or cellphone.

HomeBudget Cons:

- Costs \$5.99