



All About Budgeting

A budget is a plan that helps you manage your money. It helps you figure out how much money you earn, spend, and save. Making a budget can help you balance the money you get with your savings and expenses. It can also help guide you to reach your financial goals.

A budget can help you in many other ways including:

- set spending limits
- find ways to pay off your debts
- reduce costs and save more
- live within your means
- reduce stress
- have more money for things that are important to you
- feel in control of your money

Making a Budget: 6 Steps

Step 1: Gather your paperwork

Before you begin, gather up all your financial paperwork, including:

- Bank statements
- Investment accounts
- Recent utility bills
- Paystubs
- Credit card bills
- Mortgage or car loan statements
- Receipts from the last three months

You want easy access to information about your earnings and expenses. One of the keys to budget-making is knowing the amount you usually earn and spend in a month. The more information you have, the better. If you haven't been tracking this, it is not too late to start. Use your phone or take notes by hand to help you record your spending as it happens.

Step 2: List your monthly income



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Write down the total income you can expect each month. Include all sources such as paychecks, child support, employment insurance, etc.

If you have a variable income (for example, from a seasonal or freelance job), consider using the income from your lowest-earning month in the past year to make your budget.

Income Table:

Source	Amount
TOTAL	

3. Create a List of Monthly Expenses

Write down a list of all the expenses you expect to have during a month. Use your financial statements and receipts from the last three months to figure out a monthly average.

If you don't have an emergency fund, consider starting to save for one. An emergency fund should have enough money to cover your expenses for 3 to 6 months. These amounts can sometimes seem very large. That is why you should start by saving a small amount on a regular basis. An emergency fund will help you reduce stress and avoid getting trapped in debt.

Expense	Cost
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Mortgage payments or rent	
Car payments	
Insurance	
Groceries	
Utilities (gas, cable, water, hydro...)	
Cell phone	
Internet	
Entertainment	
Personal care	
Eating out	
Childcare	
Transportation (gas, bus pass, etc.)	
Travel	
Loan repayment	
Savings	
TOTAL	

4. Identify Fixed and Variable Expenses



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Fixed expenses are mandatory expenses that you pay the same amount for each time. This might include mortgage or rent payments, car payments, and pre-set internet or phone fees. Highlight or label your fixed expenses on the table above.

Variable expenses will change from month to month. This might include groceries, gas, entertainment, eating out, and gifts. Highlight or label your variable expenses on the table above.

5. Total Your Monthly Income and Expenses

If your **income** is higher than your **expenses**, you are off to a good start. This extra money means can be used for savings or paying off debt.

If your **expenses** are higher than your **income**, you are overspending and should make some changes.

6. Make Adjustments to Expenses

If your expenses are higher than income, start to look for areas in your variable expenses you can reduce. Try to lower spending — like eating out less — or eliminate a category — like cancelling your cable TV subscription. If your expenses are way above your income, you may need to lower your fixed expenses or increase your income to balance your budget.

Your goal is to have your income and expense columns be **equal**. Remember, if you have extra money in your budget, you can create a savings goal or a plan to pay off your debt. An equal balance means all of your income is budgeted toward a specific expense or savings goal.

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Using Your Budget

Monitor Your Budget

Now that you have a budget, try to stick to it. To help you, try the following:

- Keep all of your receipts and bills
- Try to keep your spending to what is in your budget
- Update your budget with any changes. This might include a pay raise or a bill increase.

Evaluate your budget every few months. You may need to re-adjust your budget to make it more realistic. Compare your budget to your actual spending. Ask yourself:

- Are there large differences between your spending and your budget?
- Which categories have the largest differences?
- Are differences due to an unusual situation or is this likely to happen every month?

Continue with this exercise each month. You can set a reminder or book time in your calendar to make sure you review your budget regularly. If you make it a habit, you are more likely to stick to it.

Sticking to Your Budget

If you're worried about sticking to your budget, you can use the envelope system. This is where you put cash into separate envelopes for different spending categories. When an envelope is empty, you know it's time to stop spending in that particular category.

Online Budget Tools

The Government of Canada Budget Planner is a FREE tool that allows you to create a personalized budget and save it online. It gives you tips and guidelines and helps you figure out your next steps with suggestions. It creates charts that show you where your money goes. You also have the option to compare your budget with those of other Canadians like you.



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To use the budget planner, search “Government of Canada Budget Planner” or go to <https://itools-ioutils.fcac-acfc.gc.ca/BP-PB/budget-planner>

Mint is another FREE online budgeting tool. Mint allows you to connect all of your financial accounts in one digital space, so you get an overview of your money. It can be used on a computer or a smart phone. Mint allows you to track spending and savings and set and track budget goals.

To try it out, search “Mint” or go to <https://mint.intuit.com/>

Adapted From:

Financial Consumer Agency of Canada. (2021). *Making a budget*.

Government of Canada. <https://www.canada.ca/en/financial-consumer-agency/services/make-budget.html>

Vohwinkle, J. (2022). *How to make a personal budget in 6 easy steps*. The Balance. <https://www.thebalance.com/how-to-make-a-budget-1289587>



Teaching Teens About Budgeting

Budgeting for teens is important to help them learn how to manage money and develop good spending habits. Teaching teens the basics of budgeting when teens start earning money of their own through a part-time job or an allowance.

Getting Teens Interested in Budgeting

The easiest way to get a teen interested in budgeting is to talk to them about their money goals. For example, if your teen wants a new video game, you can talk to them about how to budget and save up for it. You can also get teens interested in budgeting by using tech tools. For example, getting them a debit card or having them download a free budgeting app like Mint.

Talk About Money

When teaching budgeting to teens, it helps to keep things simple in the beginning. Start by answering basic questions, such as:

- What is a budget?
- Why does budgeting matter?
- What goes in a budget?

Teens should know that a budget is a plan for spending money each month. By having a plan for where your money goes and comes from, you can avoid spending more money than you have. The two most essential elements required to make a budget are income and expenses.

It's also important to discuss how unexpected expenses or events can impact one's budget. When you walk through the budgeting process with your teen, mention the benefits of having an emergency fund. With a safety net, teens may experience less financial stress if unexpected events happen.

Lead By Example

Teens often look to their parents for guidance. One way to teach about budgeting is to lead by example and share your own budget. If you don't have a budget, this could be a good opportunity for you and your teen to learn together and become budgeting experts. To start, you and your teen can work together to make a list of your household's monthly expenses.



Teaching Teens About Budgeting

Create a Budget

You can also have your teen create a budget for themselves. This process is helpful because teen budgets are different from adult budgets. Your teen likely isn't budgeting for a mortgage payment or earning a yearly salary. But they can still benefit from learning how to divide up the money they earn from doing chores or a part-time job to cover their expenses.

A budget in its simplest form is a list of expenses deducted from income. Breaking a budget down into categories can help teens decide exactly what they want to spend money on. Remember, teen budgets are unique because they're focused on the expenses teens are most likely to have. Sit down with your teen and talk about which categories they want to include. Use the monthly expense table above to create something similar for your teen.

Your teen's budget may include:

- Clothing
- Personal care
- Car insurance, if they're responsible for paying it
- Cell phone bill, if they're responsible for that
- Gas money
- Entertainment or going out with friends
- Food
- School supplies or extracurricular activities that you don't pay for

In addition to their regular expenses, all teenagers should include savings as a budget category. You can talk about how much they want to save each month and the difference between short-term and long-term savings goals.

Once your teen has their budget categories, they can decide how much of their money they want to spend for each one. For example, if they have five budget categories: Clothing, gas, going out with friends, school supplies, and saving. You can help them decide how to split up their money among them.

When budgeting for children and teens, make it easy and relevant to them so they're encouraged to stick with it for the long term. Every individual's budget will vary depending on personal circumstances.

Teach Your Teen About Wants and Needs



Teaching Teens About Budgeting

When talking about budgeting with a teen, one of the most important things is to explain the difference between wants and needs. Again, keep it simple. Explain that a need is something that is required to survive, such as rent payments. A want is something you can live without, like a Netflix subscription.

There are different ways to help teens understand this concept. For example, you can go through your budget with them and categorizing each expense. For each expense, ask them: Is this something you can live without? You can also do this with the budget they created for themselves.

The main goal should be helping teens learn how to prioritize spending so that their needs are met. You can explain if they don't distinguish between needs and wants, they may not have enough money for their needs. This may also be a good time to start talking about debt and the risks of spending with a credit card versus a debit card.

Continue the Conversation

Once your teen has started budgeting, keep the conversation going. For example, you might ask them to meet you once a month to talk about how their budget is going and any adjustments they might need to make. This can make it easier for them to get into a budgeting habit.

Adapted From:

Financial Consumer Agency of Canada. (2021). *Making a budget*. Government of Canada. <https://www.canada.ca/en/financial-consumer-agency/services/make-budget.html>

Lake, R. (2021). *How to teach your teen about budgeting*. The Balance. <https://www.thebalance.com/how-to-teach-your-teen-about-budgeting-4160105>