**How to Create a Budget**



**Learning about the basics of financial management at an early age will help ensure that you will be responsible with money later on in life. Here are five personal finance lessons that you should learn as a high school student.**

**Creating a Budget**

To be fiscally responsible now and in the future, you must learn how to create a monthly budget. Creating a budget will help you:

* Itemize and manage your income, expenses, and savings.
* Recognize how you spend your money and how much you spend in given time period.
* Plan the savings you will need for unforeseen expenses or changes in income.
* Make decisions about your money both today and as your circumstances change over time.

In order to create a budget, you will need to identify your sources of income and determine your fixed and variable expenses. Fixed expenses are set figures that don’t change from month to month, such as a car payment. Variable expenses will vary from month to month, such as entertainment ([movie](http://www.tkqlhce.com/click-3867772-10507293) expenses, etc.). **Below is a sample 4-week budget for a high school student.**

| **Description** | **Income (+)** | **Expense (-)** | **$ Available** |
| --- | --- | --- | --- |
| **Part-time job** | $215.00 |   | $215.00 |
| **Allowance from parents** | $20.00 |   | $235.00 |
| **College fund** |   | $25.00 | $210.00 |
| **Cell phone bill** |   | $40.00 | $170.00 |
| **Snack money** |   | $20.00 | $150.00 |
| **Savings for a used car** |   | $50.00 | $100.00 |
| **Entertainment** |   | $35.00 | $65.00 |

**To be financially sound, it is crucial to spend less than you earn. If your expenses exceed income, then you will need to identify ways to adjust your budget by**[**reducing expenses**](http://www.ecampustours.com/for-students/campus-life/College-Budgets-101/frugal-living-tips-for-surviving-on-a-college-bud)**.**

**The importance of saving**

As a high school student, you may not yet realize the value of saving your money. If you have enough money to pay for your expenses, why should you worry about putting any money aside each month? The answer is because you never know what the future holds. Having money in savings will give you financial security in case of an emergency. As a high school student, that emergency could be car trouble. Once you graduate and begin your [career](http://www.jdoqocy.com/click-3867772-10371780), that emergency could be an unexpected layoff. Setting aside money regularly will also help you meet your short and long-term goals (i.e. [college tuition](http://www.ecampustours.com/for-students/paying-for-college/saving-for-college/college-savings-plans-advantages-and-disadvantage), expensive vacation, [comfortable retirement](http://www.ecampustours.com/for-students/career-exploration/your-new-job/you-re-not-too-young-to-save-for-retirement), etc.).

**Realities of credit cards**

**Due to credit card legislations, lenders cannot issue a credit card to you if you are younger than 21 (unless you can prove that you can afford payments or you get a parent or other older individual to co-sign).** However, the earlier you learn about the realities of credit cards, the better off you will be. Obtaining a credit card has some advantages. It can help you [build a good credit score](http://www.ecampustours.com/for-students/campus-life/College-Budgets-101/building-a-good-credit-score-in-college) (if used wisely), and it gives you a sense of security in case of a financial emergency **(although building a savings fund over using a credit card is recommended)**.

Obtaining a credit card also has some disadvantages if it isn’t used wisely. These pitfalls can include paying high finance charges and accumulating too much debt. The most important lesson to learn about having a credit card is to pay off the balance each month by the due date. If you follow this rule, you reap the benefit of building a good credit score and avoid the pitfalls of accruing too much debt, finance charges, and late payment fees.

**The time value of money**

**This is an important concept to learn as a high school student because time is on your side.** The time value of money refers to the relationship among time, money, and rate of interest. It means that if money can be invested to earn a return, then the same amount of money is worth more today than at any point in the future. For example, if you put $100 into a savings account today that pays 5% interest a year, in one year you will have $105 because of earned interest. The key points to take away from this concept are:

* **Begin saving/investing your money as soon as possible so it has more time to accrue interest.**
* **Save/invest as much as possible as your current budget allows (and make adjustments as your situation changes).**
* **Opt for saving/investing avenues that offer higher rates of interest.**

**The worth of being frugal**

**As a high school student, you know that the modern world does not favor**[**frugality**](http://www.ecampustours.com/for-students/campus-life/College-Budgets-101/frugal-living-tips-for-surviving-on-a-college-bud)**. You are bombarded with ads about the latest technology and fashion on a daily basis. While it may be tempting to succumb to those ads and purchase the latest and greatest, you must learn how to live within your means and understand the difference between wants and needs if you want to be financially stable. Learning how to make the most of what you have and how to**[**get a good value**](http://www.kqzyfj.com/click-3867772-10769816)**on items that you do purchase will only yield financial benefits for your future.**

**The earlier you learn about personal finance management, the better prepared you will be in your future endeavors. For more information about financial literacy, contact your high school counselor or financial advisor.**