

Build a Basic Budget: The Five-Step Spending Plan

Expenses...

Necessary—basic needs: shelter, food, utilities, insurance, medical, debt payments, taxes

Discretionary—not necessary for survival: vacations, entertaining, special clothing

Personal—don't have to account for every penny

Miscellaneous—unplanned expenses; don't use this as a catch-all category



TELL AUDIENCE:

You also can think of expenses in terms of these four categories:

REVIEW CATEGORIES ON SLIDE

TELL AUDIENCE:

Remember that a general miscellaneous category in your budget should *not* be a catch-all, because that would make it difficult to track exactly where your money goes. But if you use the miscellaneous category for unplanned expenses, you also should *plan* for the unexpected, and build in a reserve for when the refrigerator dies, the car needs repairs, and so on.

If miscellaneous expenses are more than 10% of your income, you may need to do a better job of tracking expenses.

If you don't use all the money allocated in miscellaneous, use the excess to pay off debt and to build savings.