

Budgeting Basics

As we move deeper into 2018, now is a good time to refresh some of those New Year's Resolutions and continue to integrate good habits so they stick throughout the year. One of the most important and fundamental habits for financial wellness is budgeting. By making budgeting a habit now, you will see lots of benefits over the long-run!

What is a Budget?

A budget is a plan for how much money comes in and how much money goes out each month. It's really that simple. By breaking down your budget into categories such as mortgage, food, and entertainment, you can see where you can cut back, and where you have wiggle room. Creating a budget that factors in things like savings and investments also makes it easier for you to create a solid foundation.

Why Budget?

Budgeting will give you clarity into your finances and will help you make more informed choices. You wouldn't enter a dark room without turning on the lights first, right? That's exactly what a budget is for your finances: it's a light that you shine on your financial transactions. By seeing your finances clearly, you may notice where you are overspending. You can set other goals too, such as paying down debt, saving, and investing. By placing these items on your budget, you are essentially making your financial goals a bill that you pay to yourself. This makes it easier for you to achieve your dreams on your journey of financial wellness.

Who Should Budget?

A budget is beneficial for anyone who uses one. Almost every business in the United States operates off of a budget, which allows them to make smart financial choices to increase the bottom line. Families who create a budget also find that they are better positioned to achieve financial wellness and meet certain goals like planning for retirement or building up a college fund. For individuals, the benefits are the same: greater understanding of your finances that enables better choices for how you spend your money.

How do I Budget?

The first step to creating a budget is to list all the money that you have coming in. This includes your paycheck, social security payments, alimony, money from a side gig or any other form of income you receive.

Next, track your spending. Here you want to start with all of your fixed payments—the bills you absolutely have to pay such as mortgage, utilities, car payments, student loan debt, etc. After that, take a look at your last few bank statements and figure out where the rest of your money is going.

Record all of your income and expenses in a place that is easy to access and understand. There are online tools, such as Mint.com, that can automate the budgeting process for you.

When Should I Budget?

You can create a budget anytime! The important thing is to stay consistent and continue to track it. For instance, when you first start budgeting, you'll want to make sure you are sticking to your budget each month. This will ensure that budgeting becomes a habit and will help you make sure you are staying on track with your financial goals. Once you get into the flow of budgeting, you may decide to refresh your budget seasonally. Updating your budget on a semi-regular basis allows for you to account for changes in income or expenses, such as a raise or unexpected medical issues.

Some people think of a budget as the financial equivalent of a straight jacket, but the reality is just the opposite. Rather than constricting you, a budget gives you freedom to spend, knowing that you are able to achieve your financial goals at the same time. Once you know your budget and stick to it, you'll find a sense of mental clarity on your path to financial wellness.

Money Matters for New Parents

Becoming a new parent is one of the most exciting things that can happen in your life. It can also be very disorienting as you try to take care of a new human, manage your relationship with your partner, and adjust to your new role and identity. During pregnancy, parents are consumed with visits to the doctor's office and reading baby book after baby book. But something that is often overlooked is how your little bundle of joy will impact your financial outlook. Here are some key things to think about:

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Babies are expensive! Yes, they are cute, but there are financial obligations that come with parenting. According to the book *Baby Bargains*, parents spend more than \$6,200 in the first year on food and gear alone. But you can definitely get by for way less. The book recommends this more reasonable budget:

- Crib, mattress, dresser, rocker: \$1,280
- Bedding, decor: \$200
- Baby clothes: \$340
- Diapers: \$300
- Maternity/nursing clothes: \$540
- Nursery items, high chair, toys: \$225
- Baby food/formula: \$350
- Stroller, car seat, carrier: \$200
- Miscellaneous: \$500

TOTAL = \$3,935

Notice that this budget does not include some high cost items, such as childcare. If you require childcare, keep in mind that prices can range anywhere from \$400 to \$2,000 per month depending on location.

Medical bills are not included in on this budget either. In order to understand the costs of delivery and follow-up visits, make sure to contact your healthcare provider and your health insurance company. Make sure you understand exactly what is and isn't covered by your insurance. Prices and coverage vary widely.

Ways to Save

There are lots of ways to cut back on costs. Some are time-consuming, while others are incredibly simple. When you combine all of these tips and tricks, you will see some massive savings.

Breastfeed if possible. While breastfeeding may not be for everyone, there are a lot of benefits if you can make it work. First, most doctors recommend breastfeeding over formula for the baby's health. Breastfeeding is less expensive than formula. You can save at least \$1,400 in the first year of your baby's life.

Shop at resale stores. Babies grow out of their clothes very quickly, so it can be a budget buster. To cut back on costs, shop at thrift-stores or resale shops. You will be able to find pre-worn clothes at a fraction of the cost of retail. You can also find a lot of cute stuff!

Borrow From Friends: If you have friends or family who have kids, they will likely have more expensive items (like cribs and bassinets) just lying around their house. Borrowing for a year or two will save you money and them storage space – a win-win!

Make your own baby food. Here's a secret: baby food is just mashed up fruits and veggies. Rather than spend money on marked-up prepackaged baby food, mash up some sweet potatoes and avocado and a fraction of the cost. Your little one won't know the difference, and you'll save a lot of money!

Upcoming Webinar Wednesdays

Webinar Wednesdays are a great way to pick up some new financial skills that can have a tangible impact on your life. Each webinar is about 30 minutes long, so the time commitment is minimal, but the benefits are great. Here is what is coming up in the next few weeks:

Stress and Spending – March 21, noon EST

Roughly 71% of Americans identify finances as a significant contributor to their stress. Our conversation with Maja Reed, GreenPath's Empathy Coach, will help us better understand our needs and provide tips for coping with stress. How we handle these topics has a direct impact on how we interact with money.

10 Ways to Save – April 11, noon EST

Looking for ways to save money has always been important. During this webinar, you will learn 10 ways to save you hundreds, or maybe even thousands of dollars over the course of a year!

Go to www.greenpath.com/gfw-webinar-wednesdays to register.