

As a college student, you likely have expenses you may not have had before. Budgeting can keep your finances and spending on track.

Creating a Budget

There are many approaches to creating a budget. Below is one step-by-step process if you need help getting started.¹

Step 1: Track your spending

- Track your spending for at least a week but ideally for a month by using a journal, an app, or a spreadsheet.
- Categorize your purchases. For example, categories might include eating out, groceries, personal care products, utilities, and housing.
- Take note of:
 - » Fixed versus variable expenses
 - » Fixed expenses remain steady from month to month and are unlikely to change
 - » Variable expenses are unexpected or optional purchases, and these expenses are where you can make changes to your spending²
 - » Needs versus wants³
 - » Where you spend the most

Step 2: Identify and compare your monthly income and expenses

- Identify your income.
 - » Examples of income can include on-campus work, off-campus work, money from family, and financial aid refunds.
 - » If you have taxable earnings, income refers to your pay after taxes.
 - » If your income fluctuates from month to month, you can use average monthly income.

- Identify your expenses.
 - » Use what you learned in step 1 to estimate your monthly expenses.
 - » Record your spending moving forward to help keep you on track.
- Compare your monthly income and expenses.
 - » Income should exceed expenses.
 - » If expenses exceed income, return to step 1 to determine how to reduce your expenses, or consider adding another source of income (within reason).⁴
 - » Excess income should be saved.

Step 3: Set budgeting targets

- General guidelines (for after college) suggest that you allocate your income after taxes as follows:
 - » 10% savings
 - » 30% housing
 - » 20% meals
 - » 5% utilities
 - » 10% transportation
 - » 5% phone/electronics/internet
 - » 20% flexible⁵
- Think about how you might adjust these budgeting targets as a college student.
- Remember that fixed expenses exist every month and are unlikely to change.⁶
- Give yourself an allowance to spend on variable expense categories.
- Aim to save about 10% of income to establish or continue building an emergency fund.

Once you set a budget, record your expenses to ensure that you stay on track. You may want to revisit this process occasionally to check that your budget is still appropriate.⁷

1. "Evaluating Your Finances," Practical Money Skills, accessed June 13, 2022, <https://www.practicalmoneyskills.com/en/learn/budgeting/evaluating-your-finances.html>.

2. "Budgeting Basics," Practical Money Skills, accessed June 13, 2022, <https://www.practicalmoneyskills.com/en/learn/budgeting/budgeting-basics.html>.

3. "Chapter 3: Track Money Coming In," MoneyCounts: A Penn State Financial Literacy Series, accessed June 13, 2022, <https://psu.instructure.com/courses/1806581/pages/chapter-3-track-money-coming-in>.

4. "Evaluating Your Finances," Practical Money Skills; "Chapter 5: Review Cash Flow and Set up a Budget," MoneyCounts: A Penn State Financial Literacy Series, accessed June 13, 2022, <https://psu.instructure.com/courses/1806581/pages/chapter-5-review-cash-flow-and-set-up-a-budget>.

5. "Chapter 5," Money Counts: A Penn State Financial Literacy Series.

6. "Budgeting Basics," Practical Money Skills.

7. "Creating a Budget," Practical Money Skills, accessed June 13, 2022, <https://www.practicalmoneyskills.com/en/learn/budgeting/creating-a-budget.html>.

Why Budgeting is Important

Creating and sticking to a budget can help you identify where you might be overspending, learn to spend within your means, and set and achieve financial goals.⁸ Setting financial goals creates a sense of purpose for saving, which can be more motivating than simply saving money for a rainy day.

Ideas for Cutting Costs as a Student

Personal Expenses

- Once you have a sense of fixed and variable personal expenses, set spending goals to help you stick to your budget.
- Weigh the value and the quality of various brands before purchasing a product.
- Consider purchasing larger quantities to save money over time.

Textbooks

- Use the textbook lending library on campus. You will receive an email from the Office of Financial Aid if you are eligible to use this resource.
- Use course reserves in the library.
- Purchase used books.
- Compare textbook prices on various websites before purchasing.

Transportation

- Prices can fluctuate. Use an app or website to track prices for flight, bus, or train tickets.
- Purchase tickets well in advance.

Set Financial Goals

Setting short-, medium-, and long-term goals helps to keep you on track and have a purpose in saving money. These timeframes are defined below.

- Short term: One month or less
- Medium term: More than one month and less than one year
- Long term: More than one year⁹

Set SMART goals that meet the following characteristics:

- Specific
- Measurable
- Attainable
- Realistic
- Timely¹⁰

8. "Budgeting Basics."

9. "Lessons: College," Practical Money Skills, accessed January 30, 2024, https://www.practicalmoneyskills.com/en/teach/lesson_plans/college.html.

10. "Chapter 1: Set Up SMART Goals," MoneyCounts: A Penn State Financial Literacy Series, accessed June 13, 2022, <https://psu.instructure.com/courses/1806581/pages/chapter-1-set-up-smart-goals>.