

Getting Your Financial House in Order: Budget and Spending Plans – Video Transcript

A budget is a plan for what you will do with your income.

It helps you manage your money, prepare for the unexpected, and target your goals.

A budget is for a specific period, such as a week or a month.

It can be for an individual, or a consolidated plan for a family.

It starts with considering all your sources of income.

And how those funds will be used to pay your expenses.

Two common budget strategies are the envelope method and the 50/30/20 plan.

The envelope method has you set aside cash into envelopes for specific expenses, such as for groceries and another for utilities.

It helps you control how much you spend in each category.

The 50/30/20 plan allocates your after-tax income into categories; 20% for pursuing your future goals; 50% for meeting your needs, such as housing, utilities, and food; and 30% for your wants, such as for travel and entertainment.

The best method for you is the one that you stick with over time, that sets aside money for emergencies or opportunities, and that helps you pursue your long-term goals.

Budgeting can help you stay on track in a volatile financial world.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.