

# The five Ws and H of budgeting

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## What is a budget

A **budget** is a way for you to keep track of your money. It is a summary of **income** (how much money you get), **expenses** (how much money you spend), and **savings** (the money left over that you put aside).

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## Who should budget

Budgeting is important for people who:

- Have a limited or irregular income
- Are not sure where their money is going
- Have trouble paying their bills
- Are trying to pay off debt
- Are towards a financial goal
- Don't regularly save money
- Want to make the best use of the money that they have

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## Why budget

There are many benefits to making a budget and sticking with it:

- **It puts you in control** – you plan how you will spend your money
- **It helps you be more aware** – you monitor what money is coming in and going out
- **It helps you have more money** – you find areas where you can spend less and save more
- **It prepares you for emergencies** – you know where money can be moved when emergencies come up and to set aside money for unexpected expenses
- **It keeps you focused on your financial goals** – you set spending limits and work toward saving for something that is important to you
- **It reduces stress and worry** and makes you more confident about money

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## How to budget

Below is a summary of the steps to take when creating a budget. For a detailed step-by-step guide, see *How to make a budget: step-by-step guide*

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1. **Values, wants, and needs** – Figure out what is important for you to spend money on and determine your needs and wants.
2. **Set your goals** – Write down the money goals that you want to achieve, for example, paying down debt, or saving for retirement.
3. **Income** – Figure out the total income that you have available to spend in one month.
4. **Expenses** – Figure out the total expenses you have in one month.
5. **Create your budget** – Subtract your total expenses from your total income. Make a plan for your spending in future months based on your calculations.
6. **Check your budget often** – Monitor and review your budget regularly and make adjustments when necessary.

## When to update or adjust your budget

It is a good idea to update your budget on a regular basis. There may be times when you forget to account for an expense, a bill turns out to be a different amount from what you expected, or you overspend in a category.

Budgets should also be adjusted any time the following happens:

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- **Your income or expenses change**  
Some people have irregular income and times of the year when they receive a larger sum of money, for example, from a tax refund. Emergencies, a sudden change in employment, and other major life changes will also affect a budget.
- **Your debt levels change**  
If you borrow money, your budget will change as you work out a plan to repay the debt.
- **Your financial goals change**  
Your financial goals may change as you go through different stages of life, or as your financial situation changes. Sometimes you may reprioritize different short-term goals and adjust your budget depending on needs that come up at the time.