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

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.

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 year

Set SMART goals that meet the following characteristics:
- Specific
- Measurable
- Attainable
- Realistic
- Timely

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