

# Making Ends Meet

## Developing a Budget and Living Within It

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**I**t's the end of the month. How much money is left in your wallet?

If you're like many Americans, you lurch from paycheck to paycheck, or allowance to allowance, sometimes running out of money in between.

That may be OK now, when your main worry is buying movie tickets or a dinner out with friends. But it can be painful when you're a college freshman and your monthly spending money is gone in two weeks. And it can grow into a big problem when you're out of school and have empty pockets and big bills staring back at you, like rent or a car payment.

In theory, managing your money is simple: Add up how much will be coming in, and then budget how much can go out, trying to set a little aside for emergencies.

But, says Mel Stiller, chief executive officer of Consumer Credit Counseling Service of Southern New England, "most people don't do it that way. They just spend."

Here are a few tips on how to make a realistic budget and stick to it:

**Don't guess at your costs.** If you tried to sit down and fill out a budget by guessing at what you spend, you would probably underestimate your expenses by a lot. You might forget your regular haircuts or neglect to include birthday presents. You might not think a stop at a coffeehouse every day adds up to much. And have you ever tallied how much necessities cost, like toothpaste and shampoo?

Mr. Stiller, whose not-for-profit company counsels 15,000 people a year on budgeting, has a better solution: "Carry around a notebook for a month" and write down everything you spend. No purchase should be too small to record.

At the end of the month, annualize your costs—that is, multiply how much you spent by 12 to estimate how much you might spend in a year. A daily \$2 cup of coffee will add up hundreds of dollars a year. "People are astounded when they analyze it," Mr. Stiller says. "If you really want to get a handle on it, you have to track it. It's just such an eye-opener."

**Plan ahead on how you're going to spend your money.** As outreach coordinator at the University of Texas at Austin's office of student financial services, Miguel Wasielewski talks to high school students about how to plan financially for college. He tells them to "think about it as they would a diet." On Weight Watchers, for instance, dieters have a

fixed number of points they can spend each day, and students should think of their budgets the same way.

The financial-aid office estimates that students will need about \$1,000 a semester to cover costs other than tuition, books, room, food plans and transportation. That comes to roughly \$65 a week to cover supplies, eating out and other fun.

Many students, however, tend to splurge, spending \$50 on a night out because they finished a big paper, or shopping for clothes to help forget about a bad grade. Other students get into trouble running up big cellphone bills calling home, taking a trip on spring break that they can't afford or charging more on a credit card than they can pay off. Then they find themselves in a hole they can't get out of.

"You're probably going to mess up a little at first," he says. But smart students will figure out how to manage their dollars so they don't end up with both college loans and big credit-card debts when they graduate. They'll also be ready to deal with the challenge of paying bigger bills from the income of an entry-level job.

**Be realistic about income.** If you're counting on a job to provide your spending money, keep in mind that taxes and deductions may be taken from your check. In addition, you may not earn as much as you expect—and your first check won't be paid until you have worked at least a couple of weeks.

Many financial-aid packages include some "work/study" money, funds that you earn working at a campus job. But you may not be able to work as many hours as your financial-aid plan calls for, or you may have to cut back your hours on weeks when you have tests or projects due. That means you'll have less to spend.

**Be creative.** Even if your budget is drum-tight, you have some options. Mr. Wasielewski says that on a campus like the University of Texas, there are always fun things to do for free, especially if you get involved in different organizations. And since clubs and other groups have their own budgets, they often try to attract members by offering free activities and food. "You can get free pizza almost any day of the week" from one organization or another, he says.

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*Do you have a question about managing your money?  
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