

19 Tips on Budgeting

On a Low Income

For people on a low income, having a budget is in your best interest. For most, getting a higher income might not be the only solution available. Even with a low income, the right budget and planning can be just what you need to avoid living paycheck by paycheck.

01 Reputation Management

Before you can create a monthly/weekly budget, you first have to check where and what you spend money on. Pay close attention to everything you or any member of your family buy. Keep receipts if you have to. Divide the receipts into categories like housing, clothing, groceries, gas bills, phone bills, and others.

02 Save before spending:

A great idea when budgeting on a low income is to save first before spending. Have a specific amount that you send to a savings account each paycheck. Out of sight, out of mind. The remaining money after saving can then be spent on expenses. Your savings also will come in handy when some emergency comes up.

03 Pay off your debts:

Nothing ruins a budget quite like the demand from high-interest debts. If you wish to stick to your budget, make a list of your debts and start making efforts towards paying them off. Start by paying off the ones with high interest, especially debts from credit cards and loans.

04 Create a reasonable budget:

The key to making and keeping a budget is about how feasible it is. If you make a budget that exceeds your income, there is no sense in that. Also, making a budget for particular expenses below what you or your family members truly need is unhealthy. Set a budget for each need and let it be something you and every member of your family can work towards. This is where the input of everyone matters.

05 A budget for only important things:

When preparing your budget, be sure you are not spending money on things that are not needful. Once you have budgeted for food, clothing, and housing, any additional budget should be as lean as possible. Cut off all unnecessary subscriptions like magazine subscriptions, cable bills, gym membership, and phone bills. You might need to start cooking more and eating out less.

06 Create a list when shopping:

When shopping for groceries, create a list that will guide you when shopping. Avoid buying anything that is not on the list. This will ensure you are buying only the most important things. Don't just spend on a whim without considering if you need the item. You can easily save up on food by making homemade meals as against eating outside.

07 Set goals and work towards them:

Setting goals can be a source of motivation for maintaining a budget. At the beginning of every year or month, write down your goals, and start working towards them. You could set goals by saving for a holiday or getting yourself a gift. You could also open a savings account and set goals on the amount you wish to have saved up at the end of the year.

08 Get additional income:

It might come to that point where you realize that your income is just not enough. This is why it is imperative to get a side hustle. Aside from your main job, get an extra job that could fetch you additional income. Search online and check areas you are interested in. Some of the most paying online jobs include freelance writing, editing, proofreading, graphic designing, photography, among others.

09 Cut down additional expenses:

Budgeting on a low income means either earning more income and/or cutting down unnecessary expenses. Before buying anything, ask yourself if you need that item. If you can live fine without it, then maybe it is not worth the price. A great method to cut expenses is paying by the hour not cost.

10 Compare prices and stick to the lowest ones:

When budgeting on a low income, money set aside for a particular purpose could be properly used when you check for the sweetest deals available. Compare shops and try to find the ones with the lowest prices.

11 Budget for gifts:

Different occasions would require you to get gifts. It could be for events like birthdays, baby showers, graduation, weddings, funerals, and holiday gifts. Sometimes you can't predict what events will pop up, but you can always budget for it every month.

12 Don't lease a car:

Nothing eats up money quite like a car that isn't even yours. Unless you plan on putting an excessive amount of mileage onto a leased vehicle, it makes little sense to make monthly payments that are higher than making car payments to own it.

13 Look for free, fun activities:

It is normal for people to want to have fun. However, if your way of having fun is costing you a lot and creating a big dent in your budget, then it might be time to reconsider. You don't have to spend so much, and there are certain activities you can do for free. Check out events in your local city or county calendar.

14 Have an emergency fund:

An emergency fund is when money put away for unexpected and urgent occurrences. A good rule of thumb is to have 3 to 6 months of your income saved up at any given time. This should be different from your normal savings. It is, very important to set a certain amount aside monthly for times of emergency.

15 Apply the 50/30/20 rule:

A great way to help you create an effective budgeting plan is by using the 50/30/20 budgeting method. This means 50% of your income goes into your monthly basic needs, 30% goes into your wants, and the remaining 20% goes into your monthly savings. To do this, start by deducting your income tax and business expenses.

16 Budget using cash and envelopes:

It can be quite difficult to keep up with spending when you are using a credit card. To help you monitor and stick to your budget, budget using cash, and envelopes. This means you simply withdraw the amount you plan to spend monthly and keep them in an envelope. You can also divide them into categories.

17 Do automatic savings:

Sometimes, it can be quite difficult to take the initiative to transfer money into your savings account. A great way to ensure you are saving is by doing so automatically.

18 Save for short and long term purposes:

Savings can be for different purposes. This all depends on your personal goals. Savings can be for short-term reasons such as saving for a car or holiday.

19 Stick to your budget:

The hardest part of creating a budget is sticking to it. It is possible to get busy and spend outside your budget. Each week, check your expenses to be sure you are keeping to your budget.