One of the most important steps to achieving financial wellness is consistently using a monthly budget (often referred to as a spending plan). Follow the five steps below to help you create this valuable tool and keep your finances well-managed.

1. **Determine your monthly income**
   Calculate your monthly income by adding up your paychecks and any other sources of income you receive. Use net pay - the amount you receive after taxes and other deductions - rather than your gross pay. Only use income that's regular and reliable.

2. **Separate your expenses into Fixed, Variable, and Periodic**
   - **Fixed** expenses are often contractual (rent, mortgage, or car payment) and typically don’t change from one month to the next.
   - **Variable** expenses are costs that occur frequently (daily, weekly, monthly) such as groceries, eating at a restaurant, buying clothes, gasoline, and entertainment. They are considered “variable” because the amount you spend differs from month-to-month and you have a level of control over the spending.
   - **Periodic** expenses occur a few times during a calendar year such as insurance payments, tuition, property taxes, and license plate renewals.

3. **Create a realistic spending plan and track all spending**
   Using a budget worksheet or other tool, document:
   - Monthly income
   - Estimated monthly expenses (fixed, variable, and periodic)
   Tracking your expenses is a critical step in the process and will help identify the areas in which you may be underestimating your spending. It also allows you to determine where changes can be made.

4. **Set your financial goals**
   Goals that are measured are more likely to be achieved. Whether you want to set aside money for an emergency fund, monthly bills, a down payment on a car, educational expenses, or a vacation - creating a specific and attainable goal will make the process easier. Working towards a goal each month makes saving feel rewarding and will keep you motivated.

5. **Decrease your spending or increase your income**
   A core element of financial wellness is always spend less than income. When faced with a budget deficit, there are two options - increase income, and/or decrease expenses.
   Explore ways to increase income, such as part-time work or selling items you no longer need. Review the expense categories you’ve created and determine your “wants” and “needs.” While often challenging, strive to reduce spending in the variable category until your budget is at least balanced.
   **Stick to your plan!** It will not be easy for the first 90 days, but establishing a pattern of monthly budgeting is well worth the effort. Stay committed and follow your plan to obtain the desired results and reach your end goal!

The UMCU Financial Wellness program is here to support you at each step of your financial journey. Workshops (both in-person and online) and individual financial counseling performed by certified staff are available for members and can provide important guidance on money management matters.

Visit [UMCU.ORG](http://UMCU.ORG) to learn more!