



# 7 tips to help manage your finances

Creating a budget can help you feel more in control of your finances and allow you to save more money for your short- and long-term goals. The following strategies can help you develop your personal budget.

## 1. Set your goals

Make a list of all the financial goals you want to accomplish over the short and long term. Ask yourself basic questions about why those goals are your priorities, how you are planning to achieve them and how quickly you need to see the results. Short-term goals should take no longer than a year to achieve, and long-term goals may take years to reach. [How to balance family savings priorities](#) offers tips on how to prioritize goals that cover your family's needs while leaving room for saving and spending on vacations and other fun stuff.

## 2. Know your net income

The first step of creating a budget is to identify the money you have coming in—otherwise known as your income. Keep in mind, however, that it's easy to overestimate what you can afford if you think of your total salary as what you have to spend. Your final take-home pay is called net income and accounts for employer deductions in your paycheck. This is the number you should use when creating a budget. Our [Budget Worksheet](#) can help determine your net income of your household.

## 3. Make your plan

Start by dividing your net income into two broad spending categories: fixed expenses and variable expenses. Some of your expenses, such as your mortgage, are fixed because they stay the same each month. Other expenses, such as gas for your car or entertainment, are variables that change from month to month.

For both fixed and variable expenses, you'll want to record how much you spend on each monthly. Our [Budget Worksheet](#) can account for and categorize your monthly spending. You may also want to divide your spending into three basic categories: needs, savings and wants.

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#### 4. Track your spending

Not sure how much you are spending on variable expenses like groceries or dining out each month? These expenses can be difficult to track. You may want to try using a spending journal to help you do some detective work for recording your daily spending. Find a small notebook and use it to write down each purchase you make every day for a month. Another option is to use our tool called My Portfolio® to track all your accounts in one place.<sup>1</sup> To check it out, visit [bankofamerica.com/myportfolio](https://bankofamerica.com/myportfolio).

#### 5. Personalize your budget

The great thing about creating a budget is that you can customize it to your own needs. After you've determined what to set aside for your fixed expenses, you can alter the amount earmarked for variable items. The variable category gives you more wiggle room in how much you decide to spend where, allowing you to prioritize as you see fit.

For example, look for ways to spend less. Just putting a little aside here and there can add up to big savings. Making simple trade-offs can help you save money without giving up what's important. Watch this video to learn how to [Save money every day](#).

#### 6. Have a monthly check-in

Take a look at your spending every month and compare it to your [Budget Worksheet](#) to see how things are going. Also, plan for next month's expenses and income so you don't get taken by surprise. Make sure to check in with your significant other before making the list final. If you find that you're going over your budget, learn ways to [Save money on your monthly household bills](#).

#### 7. Find ways to boost your income

Have a hobby or a talent? Anything from handiwork to writing or teaching an instrument can be a way to earn secondary income. Review this article, [How to earn money from a hobby or skill](#), to turn something you love doing into a profit.



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