



BUDGETING FOR YOUR FIRST APARTMENT

- ❑ Are you thinking about moving into your first apartment?
- ❑ Are you worried you won't have enough money?

Try setting up a budget, which will help you save money and establish good spending habits before you get out completely on your own.

Guidelines to help you create a reasonable balance of expenses:

- 25 to 30% on Housing
- 8 to 15% on Food
- 5 to 7% on Health Care
- 7 to 9% on Insurance /Pensions
- 6 to 8% on Clothing
- 5 to 9% on Entertainment
- 6 to 10% for General Savings
- 62 to 88% Total Spent

These percentages will vary depending on your individual needs, but this is a general guideline. Start saving 25% to 30% of your paycheck for rent while you're still living at home. You'll want to have about three month's rent saved in your account before you move in so that you can pay the security deposit and first month's rent, and then have some left over so that if for some reason you go over budget one month, you won't have to worry about making any payments.

Once you've moved in, you should continue to follow the budget. If you feel you need to save even more money, there are other ways to cut back. Consider spending less on food, transportation and entertainment.

Helpful Tips:

The Millionaire Next Door recommends that in order to build wealth and have a cushion, a rental payment should be no more than half the realized income. (Income after taxes.)

MetLife says you should spend no more than 65% on housing, transportation and food combined.



HOW TO MAKE A BUDGET AND STICK TO IT

A realistic budget is your best weapon against overspending.

If you want to keep your spending under control, it's essential that you make a budget. A budget allows you to get a handle on the flow of your money—how much is coming in and where it goes out. With that information in hand, you can make intelligent choices about how to spend.

1. KEEP TRACK OF YOUR DAILY EXPENSES

The first step in making a realistic budget is figuring out where your money goes. To keep track, you should make an expense record.

Keep track of all expenses on a sheet of paper. Record every expense you pay for by cash or cash equivalent - check, ATM or debit card or automatic bank withdrawal. Don't record credit card charges, as your goal is to get a picture of where your cash goes.

It is a good idea to do this for several weeks so you will avoid creating a budget based on a week or a month of unusually high or low expenses.

2. TOTAL UP YOUR INCOME

Your expenditures account for only half of the picture. You also need to add up your monthly income.

On a blank sheet of paper, list the job for which you receive a salary/wage. Then list all other sources of income that you may receive. This could include support from parents, financial aid and self-employment.

When you are done, total up all the amounts. This is your total income.

3. MAKING YOUR BUDGET

After you have kept track of your expenses and income for a couple of months, you're ready to create a budget. Your twin goals in making a budget are to control your impulses to overspend and to help you start saving money.

Use the attached worksheet for creating your budget.

If your expenses exceed your income, you will have to cut expenses or increase your income. The goal is to balance the budget.

Setting a priority to budget at an early age will set a tone for your financial future.

Categories of Expenses:

Home - Rent/mortgage, renter's insurance, telephone, electric, cable TV, household supplies, house wares, furniture & appliances.

Self Care - Toiletries & cosmetics, haircuts, massage, health club membership, eye care, vitamins.

Wearing Apparel - Clothing & accessories, laundry, dry cleaning.

Food - Groceries, breakfast out, lunch out, dinner out coffee/tea, snacks.

Transportation - insurance, registration, gasoline, maintenance & repairs, car wash, parking & tolls, public transit & cabs, parking tickets.

Entertainment - music, movies & video rentals, concerts, theater & ballet, museums, sporting events, hobbies & lessons, books/magazines, software, on-line services.

Pet Care - Vet, grooming, food, toys & supplies.

Education - Tuition or loan payments, books & supplies.

Travel - Gifts & cards, holidays, birthday & anniversaries, weddings & showers.

Personal Business - supplies, photocopying, postage, bank & credit card fees

Tax, Insurance, Savings & Investments

INSURANCE IS A MUST FOR RENTERS



A young woman in the Phoenix area returned home from work to discover a tragedy at her apartment building. A fire had completely gutted her one bedroom apartment - as well as two other units - and destroyed every possession she owned.

The Phoenix woman was shocked when she discovered the landlord's insurance didn't cover her personal property. She didn't have renter's insurance, which would have covered her situation.

Renter's Insurance is relatively inexpensive. It runs as little as \$75 and up to \$250 annually. Many large apartment operators will let tenants pay the insurance in monthly installments with their rent.

Renter's Insurance also protects tenants against personal injury lawsuit. It's especially invaluable at a time when there is an influx of young people stepping out of college and into high-salaried jobs.

Someone may come to your apartment and trip on a throw rug. If they break a tooth, they're going to want to be compensated. You become a deep pocket.

The bottom line: Tenants should carry renter's insurance. Most major insurance carriers offer renters insurance. Check it out! You won't regret the decision to cover yourself and belongings.