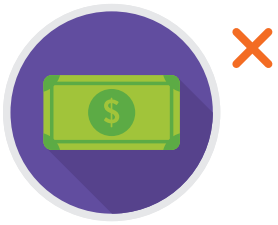
Budgeting BASICS

IT'S A MONEY THING®

GROSS INCOME vs. NET INCOME

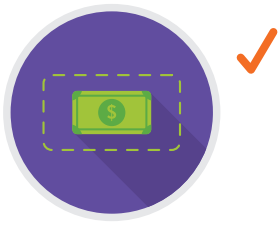
One of the most common budgeting mistakes is using your gross income instead of your net income as the starting point for your earnings. This can throw off your budget by giving you the impression that you have access to more money than you actually do.



GROSS INCOME

This is your salary or hourly wage **before** taking taxes and deductions into account.

vs.



NET INCOME (TAKE-HOME PAY)

This is your income **after** your taxes and payroll deductions have been subtracted.

WHAT ARE PAYROLL DEDUCTIONS?

Payroll deductions are amounts withheld from your paycheck.

They can be **mandatory** or **voluntary**.

Mandatory deductions are set by the courts or government:

- Federal income tax
- Social security tax
- Medicare
- State tax
- Garnishments
- Child support

Voluntary deductions need to be agreed to. They include:

- Health insurance
- Life insurance
- Retirement savings, such as a 401(k) plan
- Union dues
- Stock purchase plans

3 WAYS TO CALCULATE YOUR TAKE-HOME PAY

1

Read your paycheck

Your payroll deductions should all be listed on your paycheck, along with your net pay. Sometimes a code may be used instead of the full description—ask your employer what these codes stand for.

2

Use an online calculator

There are many take-home pay calculators that you can access online and for free. Even though they provide general estimates, using them will still help increase the accuracy of your budget.

3

Check your bracket

If your work hours aren't steady week to week, tax bracket tables are a helpful tool in anticipating what your tax rate will be. Check and see which range your taxable income falls within.

PERSONAL BUDGET MUST-HAVES

Every budget is unique, but successful budgets all share versions of the following:

EMERGENCY FUND

Prepare for the unexpected. An emergency fund should be easy to access in the event of unemployment, illness or a critical home or car repair.

- **Start your fund by setting a $1,000 goal.**
- Then, build your fund until it covers **3 to 6 months of living expenses.**

SAVINGS GOALS

Make savings a priority instead of a place to park leftover cash.

- Treat your savings category like a bill and **contribute to it at the start of the month** to keep from "accidentally" spending that money elsewhere.
- Create a separate account or chart for big savings goals. It's easier to save when you're **mindful of your progress** toward that new car or that dream vacation.

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