

Creating a Budget

Here's more about those two types of expenses:

Fixed expenses

Fixed expenses don't change. Most commonly, they occur monthly—like rent, mortgage payments or car payments. But fixed expenses can also be due quarterly or annually. These types might include HOA payments, insurance payments and professional association dues. No matter how often you pay fixed expenses, their regularity can make them easier to budget for.

Variable expenses

Variable expenses change regularly, which can make them harder to track and plan for. That's where budgeting can come in handy. It can help you see what you pay over time in variable expenses and make changes as necessary.

Examples of variable expenses include groceries, utilities, gas, dining out, clothing and personal care. Since variable expenses can be based on daily spending, it can be important to pay attention to them so you don't overspend.

What monthly expenses should I include in a budget?

Creating a budget can help you start to gain control over your finances, get out of debt and plan for the future. The first step is knowing which monthly bills to include in your budget, so you don't spend more than you make.

Common expenses to include in your budget include:

1. Housing

Whether you own your own home or pay rent, the cost of housing is likely your biggest monthly expense.

In addition to a mortgage or rent payment, costs may include insurance, maintenance and property taxes. Property taxes are generally part of a mortgage payment—so you likely won't need to add them to your budget. Other expenses—maintenance, for example—need to be added to your budget and paid separately.

2. Utilities

Utilities are another important expense related to housing. They can include electricity,

heating, water and sewer. The cost of utilities may vary from month to month depending on use.

- **Heating:** However you heat your home—whether it’s with oil, gas, propane or electricity—heating prices are generally higher during colder months. Using energy-efficient products and enrolling in energy savings programs can help you manage your heating costs.
- **Electricity:** Electricity is another utility that many people pay on a monthly basis. Using energy-efficient appliances can help to reduce electricity costs. So can keeping the thermostat set lower in cold weather and higher in hot weather—and turning off lights when they’re not in use.
- **Water and sewer:** Water is another utility that can vary in cost, depending on usage and base rates. Taking showers, running the dishwasher, doing laundry, watering your lawn and flushing your toilet can all contribute to the cost.

3. Vehicles and transportation costs

Whether you own a vehicle or use another type of transportation, you’ll want to include those costs in your budget.

If you own a car, you may need to add a car payment and auto insurance to your budget. The same goes for maintenance costs such as inspections and oil changes. If you use public transportation, you should include the costs associated with it—like bus tickets, train tickets or fares for ride-sharing services. You’ll also want to add other transportation-related costs to your budget such as parking expenses and tolls.

4. Gas

If you own a car that runs on gas, that’s another expense to add to your budget. The price of gas can fluctuate, depending on the economy and the type of vehicle you drive. A smaller car can generally be more economical than a larger car, SUV or truck.

5. Groceries, toiletries and other essential items

These costs can vary depending on a range of factors, including the size of your household. For example, a large family will generally cost more to feed than a couple will. These types of purchases can be a great place to start when you’re trying to trim expenses.

6. Internet, cable and streaming services

Internet, cable and streaming services are other items you’ll want to add to your monthly budget. Budgeting for them is relatively easy since they’re typically fixed expenses.

7. Cellphone

Cellphone costs can depend on the type of phone you have and the plan you’re on.

Cellphones are usually a fixed expense, so they're generally easy to budget for. To save money on your phone, you may be able to shop around for a better deal than you have now—or maybe get on a limited data plan.

8. Debt payments

Debt payments are exactly what they sound like—payments you make to pay off a debt. Loans and credit card debt, which fall into this category, typically have a minimum balance due—you'll want to add at least that minimum payment to your budget. When it comes to credit cards, if you're only [paying the minimum each month](#), you could be adding to your debt with interest charges. As with all bills, late payments could also result in fees. Just a few things to watch out and budget for.

9. Memberships and subscriptions

Other recurring payments to add to your budget can include gym memberships, subscriptions and classes that meet regularly. These expenses are generally fixed and can be canceled if you need to cut costs.

10. Child care

If you're a working parent, you may rely on child care—if so, you'll need to add that to your budget. Although child care is considered a fixed expense, the cost can vary if prices go up—or if your child care service charges additional fees for things like late pickups.

11. Health care

Health care is a necessary—and sometimes costly—expense. If you have health insurance through your job, you should add it to your budget—but only the portion you're responsible for paying. If your job gives you access to a health savings account, you can add that expense to your budget as well.

12. Emergency fund

Setting aside money for an emergency fund may seem ambitious, especially if you don't have much money to save. But budgeting even a small amount toward a fund each month can add up—and give you a little extra peace of mind. The amount to save in an emergency fund can vary. But many experts recommend having enough saved to cover expenses for 3 to 6 months.