

Budgeting in Early Adulthood

By Stacey Latronica

Every year at tax time, I see this popular meme circulating the socials:

“I’m so glad I learned about parallelograms in high school instead of how to do taxes. It’ll really come in handy this parallelogram season.”

First, I think it’s funny. But it also reminds me of the many, many hats we all wear in life. We need to know a little about a lot. We don’t need to know everything, though, and we can find trusted professionals to help with the nuanced stuff (like taxes... I’m the professional in this case, if you weren’t sure). School has a very specialized role. Hopefully, it will teach us to be great learners, resourceful, inquisitive, open-minded, and problem-solving. But it’s not preparing kids for all of the tactical chores of life. That’s where family members and communities step in.

As the parent of a young adult, I’ve spent the last few years refining my parenting role with my oldest. I have to step back a lot so she can step forward, but I also want to impart some important life skills. I mean, how to manage a calendar, take care of your home and car, plan and prepare healthy meals, and organize a budget.

I’m here to talk about the budget... surprise! There are many financial planning apps and programs that help with budgeting, but I prefer a very basic approach. It really doesn’t have to be complicated. In fact, it shouldn’t be. It needs to be easy and implementable.

To start, encourage your kid to map out income and expenses using the following table:

EXPENSES	RESOURCES	MONTHLY AMOUNT
Apartment rental	https://www.realtor.com ; housing costs should not be greater than 30% of your income	
Renter’s insurance	Usually required by landlord and covers damages to property, losses of personal property due to fire/robbery	
Utilities (gas, electric, internet, cable/streaming subscriptions)	https://balancingeverything.com/average-utilities-cost/	
Cell phone		
Auto	https://www.cars.com ; or use public transportation if it’s an option	

Auto insurance	https://www.valuepenguin.com/22-year-old-car-insurance ; or use public transportation if it's an option	
Fuel & maintenance	https://www.edmunds.com/tco.html ; or use public transportation if it's an option	
Public transportation		
Groceries	https://balancingeverything.com/average-food-cost-per-month	
Student loan payment		
Clothing	National monthly average is \$170/month	
Entertainment	Dinners or events with friends	
Memberships	Gym, social	
TOTAL EXPENSES		
INCOME		
Net income from job	After you have: <ul style="list-style-type: none"> - accurately advised your employer on the amount of income taxes to withhold - signed up for employer-sponsored health insurance - elected to defer 10/15/20% of your income into an employer-sponsored retirement plan 	
Allowances	Family members may choose to provide a monthly stipend	
TOTAL INCOME		
NET INCOME	Subtract total expenses from total income	

If they have positive net income, great. Put it in a savings account. They will need this money for unexpected costs and larger investments down the road.

If they have a negative net income (net loss), refine the budget to see if they can cut any costs (shop smarter, use public transportation, invest in an older model car, lower retirement contributions, etc.) or increase income.

The table above is a static, big-picture budget and a great starting point. However, this exercise should be fluid. Encourage your kid to compare their actual habits to their budget. Many banks provide spending graphs that segment spending into categories within their online accounts. This can help with the comparison. Where are things amiss? How can they be resolved?

One last thing, I would discourage the use of credit cards. Good credit can be built with cell phone plans and student loans.

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