

Budgeting Basics: Managing Your Money During the Lean Years

Let's face it. Money will probably be tight during medical school and residency. That's why a realistic budget – one you can stick to – will be critical to your financial well-being during the early years.

Benefits of Budgeting

Although the word “budget” often has negative connotations, it offers many benefits. For example, you will find that a realistic budget will help you to:

- Maintain better control of your spending and be less likely to run into credit problems.
- Make sure you cover your essential expenses before making an optional purchase.
- Prepare for an unexpected expense by building an emergency fund.

How to Set Up a Budget

The basics are simple. You need to add up your monthly income, determine your monthly expenses, and calculate the difference to see if you have a surplus or deficit. One helpful tip is to categorize your expenses as either “fixed” (the ones that stay the same every month) or “variable” (the ones that fluctuate monthly). That way, you'll know to look at your variable expenses to make up any possible shortfall.

Examples of fixed expenses are:

- Rent
- Auto loan payment
- Health insurance premium

Examples of variable expenses are:

- Groceries
- Clothing
- Dining out

Total your monthly expenses, subtract that amount from your income, and see if your “bottom line” is in balance – or if you're running a shortfall. The [budget worksheet](#) from the AAMC can help.

Some Cost-Savings Measures

If you find that you have “too much month at the end of the money,” there are many ways you can reduce your spending. A few possibilities are to:

- Share housing costs with a roommate
- Clip coupons to save on grocery costs
- Carpool or use public transportation if possible
- Buy clothes at end-of-season sales
- Buy cheaper generic rather than name brands
- Buy non-perishable items in bulk
- Take advantage of those 15% and 20% off coupons from department stores
- And cut out the daily latte!

Some Special Considerations for Medical Students and Residents

STUDENTS:

Every medical school determines the total cost of attendance (COA). This is a figure that usually reflects most expenses as well as the maximum financial aid you can receive – and will be very helpful to you in formulating a budget. Request this information from your medical school's Student Financial Aid Office if it is not reflected on your award letter.

RESIDENTS:

If you're currently in residency, know that you are eligible for a mandatory forbearance on your Stafford, Grad PLUS, and Consolidation loans during that time. After that, you will need to incorporate your student loan repayments into your budget. See [Delaying Repayment during Residency](#) and [Repayment Options](#) for more information.

Look to the Internet for More Cost-Saving Tips

- “[66 Ways to Save Money](#)”, an online publication from the Federal Citizen Information Center.
- “[Be Prepared, Be Informed, Be in Charge](#),” a 12-page booklet from the FDIC containing simple money management strategies.
- “[Common Mistakes Young Adults Make with Money and How to Avoid Them](#),” an article in FDIC Consumer News.

Monthly Budget Worksheet

INCOME:

Salary (after deductions) _____
 Spouse salary (after deductions) _____
 Investment income _____
 Financial aid _____
 Gifts _____
 Other _____

Total Fixed Income _____

FIXED EXPENSES:

Tuition & fees _____
 Books & supplies _____
 Regular savings _____
 Rent/mortgage _____
 Utilities _____
 Telephone (base rate) _____
 Taxes (federal, state) _____
 Vehicle payments _____
 Other transportation _____
 Credit card payments _____
 Personal loans _____
 Educational loans _____
 Insurance (life and health) _____
 Home/renter insurance _____
 Auto insurance _____
 Auto registration/taxes _____
 Other _____

Total Fixed Expenses _____

VARIABLE OR FLEXIBLE EXPENSES:

Food/household supplies _____
 Dining Out _____
 Clothes _____
 Laundry/dry cleaning _____
 Gas, oil, auto maintenance _____
 Parking _____
 Medical/dental/eye care _____
 Entertainment _____
 Travel/vacation _____
 Pets, supplies, food _____
 Records & books _____
 Personal care _____
 Subscriptions _____
 Cable TV and Internet _____
 Phone _____
 Gifts _____
 Charity/contributions _____
 Savings for interviews/relocation _____
 USMLE _____
 Other _____

Total Variable Expenses _____

Total Fixed Expenses + _____

Total Monthly Expenses = _____

Total Income _____

Less Total Expenses _____

Total Discretionary Income = _____
 (or Deficit)