Budgeting Basics: Managing Your Money During the Lean Years

Money will probably be tight during medical school and residency. That’s why a realistic spending plan (budget) – one you can stick to – will be critical to your financial well-being during this time.

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

• Maintain better control of your spending and be less likely to run into credit problems.

• Cover your essential expenses before making optional purchases.

• Prepare for an unexpected expense by building an emergency fund.

How to Set Up a Budget
The first step to budgeting requires that you know what your income (for a student, this is likely money from student loans) and expenses are each month. You will need to add up your income, determine your expenses, and calculate the difference to see if you have a surplus or deficit before you can actually create a budget. Some people have a hard time accurately determining what their expenses are each month, so they may need to take a month to track their expenses before actually formulating their working budget.

It may help to categorize your expenses as either “fixed” (stay the same every month) or “variable” (fluctuate from month to month).

After you total your monthly expenses, and subtract that from your income, you will then know what your “bottom line” is. If you find that you don’t have enough money to cover your expenses, consider making adjustments to your variable expenses; this may be an area in which you can make up for some of your shortfalls. Use FIRST’s Monthly budget worksheet to help you create your budget.

Examples of fixed expenses:
• Rent
• Auto loan payment
• Health insurance premium

Examples of variable expenses:
• Groceries
• Clothing
• Dining out

Cost-Saving Measures
If you find that you have “too much month at the end of the money,” there are things that you can do to help reduce your spending. A few possibilities include:

• Share housing costs with a roommate

• Clip coupons to save money on groceries

• Carpool or use public transportation

• Buy clothes at end-of-season sales

• Buy generic brands rather than name brand products

• Buy non-perishable items in bulk

• Take advantage of coupons you receive from department stores

• Cut down on frequent dining out – pack your meals and make coffee at home

Special Considerations for Medical Students and Residents

STUDENTS:
Every medical school determines a total cost of attendance (COA) for their school. This is a figure that usually reflects most expenses as well as the maximum financial aid you can receive. The COA 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, and would like to postpone payments on your student loans, you can do so through a mandatory forbearance. You are eligible for this forbearance on your Direct Unsubsidized Loans, PLUS Loans, and Consolidation Loans during residency. After residency, you will need to incorporate your student loan repayments into your budget. See FIRST’s Postponing Loan Repayment During Residency and the Loan Repayment Options fact sheets for more information.

More Savings Information

• Take a savings quiz at MyMoney.gov.