



## WHEN A BUDGET IS ON THE MENU

A favorite course of mine is personal finance for college seniors. As they enter the world after college, many have not lived on their own or set up a budget. The process can sound daunting, but is actually very simple and straightforward. One of the most important budget line items to manage is that of food.

A budget must contain expenses that are fixed each month — for example, rent or mortgage payments, car payments, cell phone contracts, and perhaps Internet or cable costs. These are to be expected and are generally identical each month. The other important factor in a budget is the management of the variable expenses; this is where people often get tripped up. Food is one of these and can quickly add up if you don't have a plan.

Food expenses fall into two categories. First is food purchased at the grocery store to be eaten at home. Second is food purchased at restaurants. If these are not separated, they can easily overtake a budget in a way that is difficult to track.

If you are not sure how much to budget for food at the grocery each month, try tracking your expenses for a couple of months. This can happen a couple of ways: keep your receipts and add them up at the end of the month, or keep a notebook with you and record the cost each time you visit the store. Once you have a general amount, you can count on it remaining somewhat stable. Then, making sure you have other necessary expenses covered and savings set aside, you can figure the amount of money to budget for entertainment

and recreation. This includes going to movies, sports events, shows, and ... eating out! Once eating out is considered entertainment, it becomes easier to manage and target for overspending (should you ever have that issue). It is more expensive than eating at home. Cut back here before other important parts of the budget suffer and you will find it an easier job to stay within your plan.

In economics we teach the concept of trade-offs, also known as opportunity cost. Essentially, a decision means something else has been given up to pursue the given decision. If you think back on decisions you made, each one has been in place of another opportunity. Buy one house but not another. Go to school or go to work. Buy a new car or save and tolerate your current car. Food is actually no different. Yes, it is often quicker to choose to eat out, but the trade-off is quantifiable in terms of the check when compared to the time saved. Is the expense worth the time it would have taken you to make dinner at home?

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