



CONSIDER BUDGET BILLING FOR UTILITY EXPENSES

BY ROBIN HENAGER

The biggest expense for any budget is housing. Whether it is rent or a mortgage, this item represents the bulk of most people's budgets.

Following that is the expense for food. While the housing expense tends to be fixed, food costs can be variable. Following that is the expense for transportation, which can include taking the bus/train, riding a bike, or driving a car. If it includes a car, then the expenses also involve gas, insurance, and maintenance if not also a car payment. The rest of the items in a typical budget include insurance (life, disability, health), clothing, medical and dental expenses, money for investments and savings, and spending on entertainment and recreation. If you have debts, that needs to be included as a line item, too.

Some of the items on this list are variable and rather controllable, while others are not. Recommended amounts for budget items are as follows: housing, 30%; food, 10%-

12%; transportation, 10%-12%; with each of the other items varying between 5%-7%. If you are able to stay within these recommended percentages, then your expenses will be manageable.

Let's dig into the housing number a bit more since it is the largest chunk. Ideally, this is about 30% of someone's net income (gross income less taxes). In many places where housing is expensive, it is tough to keep the cost to 30%. The pieces that comprise this expense include a mortgage or rent (along with spending for homeowner's or renter's insurance), water/sewer, and electricity/gas.

Generally, the largest expense (mortgage or rent) is fixed, and water/sewer may vary slightly. Where we tend to see large fluctuations is in the heating and cooling bill, whether it is electricity, gas, or both.

Options to keep that heating/cooling bill down can include setting your thermostat at your level of comfort during the day and a more energy-efficient level overnight. Programmable thermostats are great for this, but we just manually fix ours.

If you would rather not budget for these fluctuations, energy companies often offer a budget billing option. This can be set after you have lived in a place about a year for the full cycle of seasons. Then your annual expense for the heating/cooling is divided into twelve equal payments. It is quite comforting to have a set expectation for that bill each month. Then your focus can be placed on watching other budget items that vary.



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