How to Build a Budget During COVID-19

Budgeting during a pandemic is a challenge, but these tips can help.

The novel coronavirus, or COVID-19, has led to a near-shutdown of much of the U.S. economy. With restaurants and bars shuttered, travel restricted or considered unsafe, and most sporting events suspended, the economy is taking a huge hit and millions of people are being left without jobs or with reduced paychecks.

During this time of financial uncertainty, it's more important than ever to build a budget that works for you. Budgeting in the middle of a pandemic won't be easy, but if you take these important financial steps you should hopefully be able to lessen the impact of coronavirus on your finances.

1. Take stock of your current income situation.

If you're looking at reduced hours because of the current pandemic -- or if you've lost your job entirely -- you need to figure out what funds are coming into your home.

And if you're still working, it's a good idea to carefully consider how the COVID-19 crisis and the social-distancing measures put in place to respond to it could affect your income in the future. If your job is at risk, you need to plan for that in your budgeting process.

2. Explore benefits available to you.

Stimulus packages are currently being reviewed by the federal government, and it's likely that help will be available to struggling Americans. This will almost assuredly include expanded unemployment benefits with waived work requirements. Paid sick leave and sending checks to Americans are also possibilities on the table.

If you'll be able to qualify for unemployment benefits, you'll receive a portion of the wages you were earning before you lost your job, up to a set maximum. Specific formulas vary by state, but you won't get the entire amount you were earning. You should find out from your state's unemployment office how much income your benefits will bring in so you're prepared.

If the government decides to provide cash payments, you can also factor those in when determining your income. A one-time cash payment can be used to pay immediate bills or shore up your emergency fund, and regular payments provided throughout the crisis should be considered when setting your monthly budget.

Food aid is likely to also be expanded in response to the COVID-19 crisis. If you qualify for it, factor the aid you'll be entitled to into your budget as income since the assistance you get buying groceries will free up some of your money for other uses.

3. Determine what your essential expenses are.

Next, you'll need to figure out what you must continue paying for during the coronavirus crisis. This includes bills such as:

• Rent or mortgage payments

• Grocery costs

• Most loan payments

• Childcare, if you are able to go to work -- including for school-aged children as long as schools remain closed

• Utility payments

If you have federal student loans, interest payments have been waived so you don't have to continue making payments on them if you're facing economic hardship now or if you worry you could be soon. It will take you longer to pay off your loans if you pause payments, but it makes sense for most people to do so if their income is at risk or if they won't have enough to cover other bills.

You should also be aware that other lenders, including credit card issuers, may be willing to work with you on a case-by-case basis to waive late payments or create a payment plan. And utility companies will not be shutting off utilities during the crisis, even if you miss payments. However, if interest continues accruing, you'll want to keep on top of paying these bills if at all possible so you aren't left with huge balances to repay once the crisis passes.

4. Build healthcare and emergency savings into your budget if you can.

If you are still working, you need to pare down your expenses in case you get sick or lose your job if the coronavirus pandemic drags on for a long time. You should still go down to a bare-bones budget just as those who are out of work need to do.

Devote every extra dollar you can spare to saving for emergencies and for healthcare. You'll want to save an emergency fund with at least six months of living expenses during this time of economic uncertainty. Most experts recommend having three to six months of expenses saved, but now is the time to err on the longer side due to economic uncertainty.

You should also try to save enough for healthcare to cover the maximum out-of-pocket limit with your insurance. That way, if you or a loved one does end up needing hospitalization, you will not have to worry about how you are going to pay for it.

5. Take action to cover any shortfalls.

If you find that your expenses exceed the amount of income you have coming in -- even after factoring in any unemployment benefits or other government assistance -- you'll need to figure out how to deal with the shortfall.

In a best case scenario, you'll be able to pick up extra income. There are still options for side hustles, and some companies such as grocery stores and food delivery services are actually hiring because they expect increased demand due to COVID-19. However, if you're collecting unemployment benefits, you need to check your state's rules, because earning too much could affect your eligibility.

If you can't find work to cover your expenses, see if you can rely on your emergency fund. If you don't have one, explore the possibility of using your tax refund or selling unneeded items to build one.

If this still doesn't cover your shortfall, you could use a 0% APR credit card to cover some of your purchases. If you can qualify for a card offering no interest for a year or longer on purchases, you'll have time to try to pay off what you're borrowing without owing extra for interest. Just keep in mind that if you take this approach you'll want to pay off the card as soon as you're able.

The right budget can help you minimize the damage COVID-19 does to your finances.

Coronavirus will likely affect your finances, but making the right financial moves can help you make it through the COVID-19 crisis with the minimum amount of financial damage or, hopefully, with no long-term negative economic impact at all. The key is to cut spending, take advantage of benefits, and shore up your emergency fund so you're ready if the worst occurs.

Don't pay credit card interest until nearly 2022. The Ascent just released a free credit card guide that could help you pay off credit card debt once and for all. Inside, you'll uncover a simple debt-cutting strategy that could save you $1,863 in interest charges paying off $10,000 of debt. Best yet, you can get started in just three minutes!

https://www.fool.com/the-ascent/credit-cards/articles/how-to-build-a-budget-during-covid-19/