

Effective Budgeting

How many times have you promised yourself you would stick to a budget, but it just won't stick. To successfully create and follow a budget, you must commit to changing your current habits and introducing new ones. Proper budgeting is far from simply subtracting expenses from your income. A proper budget starts well before the pen hits the paper and is built specific to the person creating it to keep them engaged in the process.

🌀 Values and Goals

Building a successful budget means you need to know why you're building a budget in the first place. Some might say "to be more financially free" but what does that truly look like? Begin by first addressing your values; examples could include traveling, education, or living debt free. Second, set money goals based on those values. Create specific, measurable, and realistic goals that align with your values. An example of this is making a goal to pay your \$3,000 tuition bill in full next year, and you must save \$250.00 per month for 12 months to get there. Building a budget based on values and goals will keep the creator engaged and on track.

🌀 Track Your Spending Habits

Effectively taking charge of your finances requires knowing what your current spending habits are. Without having this information, creating a budget will ultimately be rendered ineffective because old habits will subconsciously take over unless they are addressed and actively challenged. Tracking your spending is crucial both before and after creating your final budget. Prior, you should track your spending habits for at least one month. Use an excel spreadsheet, a notebook, or your bank statement itself. This will help to identify what needs to be changed first to achieve the goals you set. After creating your final budget, evaluate your spending biweekly or monthly to ensure you are staying on track.

🌀 Building a Budget

When creating a budget, it is important to remember that a budget is a spending plan to help you navigate, and ultimately an estimate to guide you, not deprive you. Pick the best platform for your budget; will pen and paper, an excel spreadsheet, or a budgeting app work best for you? Next, choose the format you want to use. Some examples include the Zero dollar left method, where every dollar is allocated to a very specific expense until every dollar is allocated. Another popular method is the 50/30/20 rule, this method is less specific but encourages you to set aside money for your three main spending categories, 50% to needs, 30% to wants, and 20% to savings. Budgets are meant to be flexible, so it is encouraged to make changes as you go to make you feel confident.

More Resources:

<https://www.thebalancemoney.com/how-to-make-a-budget-1289587>

<https://www.nerdwallet.com/article/finance/what-is-a-budget>

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