



Setting Up & Sticking to a Budget

Maybe you've made a resolution to start saving money. Maybe you just want a better handle on your expenses and overall finances. Either way, it all starts with creating, and ultimately sticking to, a budget. Easier said than done, right? Just getting started may seem overwhelming. But, once you create a realistic picture of how much money you're making and where it's all going, you'll know whether there's enough left over to save. Check out the following steps to help create a monthly budget that will work for you.

Calculate your income. Where is your money coming from? Add all sources of income, including your employment, government benefits, child support payments, and even any side hustles.

List your expenses. Where is your money going? Start with the big stuff like your mortgage payment or rent, then work your way down from there. Include car payments, utilities, groceries, gas, insurance, childcare, medications, and even pet care. Don't overlook the smaller stuff, like streaming services and subscriptions, entertainment, dining out, and other personal spending. Even something as small as a daily trip to the local coffee shop can impact your expenses. The more detailed you are, the more realistic your budget will be.

Subtract your expenses from your income. What if you end up with a negative number? This means you're spending more than you make. Okay, don't freak out. It simply means you have to trim some expenses. Identify areas where you can reduce expenses first. Cut back on dining out or skip your daily trip to the coffee shop. If that's not enough, the next step is to cut expenses. Consider the things you want versus the things you need. For example, you want Netflix and Disney+, but you need shelter and transportation. Unfortunately, this may include some difficult decisions.

On the other hand, if you have money left over, toss the confetti and do a happy dance! Congratulate yourself, because that's not always easy. Once the celebration is over, make that extra money work for you. Deposit it into a savings account, payoff debt, and start building your wealth.

Track your expenses. So, you've worked hard to create a budget with money left over each month. Now what? Track. Every. Expense. Every single one. When you spend money, log it into the correct budget expense line. This is how you stay on top of your expenses and avoid overspending. Budgeting is how you plan, but tracking is how you put the plan into action.

Prepare your budget every month, before the month begins. Do you have any month-specific expenses, like taxes or birthday gifts? Add that to your budget and set it up before the month begins. It's pretty easy once your initial budget is created. Simply copy this month's budget to the next, and adjust where needed.

Update your budget when necessary. Your budget won't change much from month-to-month. However, it can change over time. What if you get a raise at work or finally payoff your car loan? Again, toss the confetti and do a happy dance. Then, update your budget accordingly.

The bottom line. If you want to make progress with your finances, you need to have a budget. You'll see where your money actually goes, versus wondering where it all went. Once your budget is setup, it's relatively easy to maintain, with slight adjustments here and there as needed. Remember, wherever you are on your financial journey, a budget is what will get you, and keep you, moving in the right direction.