



Consumer Tip March 2016: Living on a Budget



It doesn't matter what your income is, we all live on a budget. And every person's budget will change over time. It's important

to realize that living on a budget doesn't mean deprivation, it means being aware of how and where you spend money—and being realistic about how much money you have to spend. It means making smart decisions more times than not.

With planning, it can actually be fun to live on a budget. It's empowering to realize that you control your finances and making changes is easier than you think. These small changes will lead to big results. Below are tips to help you get started on the road to financial success so you can focus on enjoying life while living within your means.

Determine Your Budget

Before you can set realistic goals for spending and saving, you need an accurate idea of how much you bring in each month and what you spend. Make a list of all income, and if your income fluctuates estimate the least amount you bring in monthly. Now make a list of all fixed expenses, meaning those you have little control of, such as rent, car payments, gas, medicine and possibly things like student loans or pet food. Don't forget annual or semi-annual expenses like car insurance. Deduct your fixed expenses from your income and you'll have the amount left for expenses you can control. Next make a list of what you currently spend and compare that to the amount you have for these expenses. This is where your spending plan, otherwise known as a budget, takes shape.

You might find it helpful to put expenses into categories—entertainment, food, shopping, grooming, etc.—then determine how much you want to spend in each category. Don't forget a category for savings to ensure that you save every month, no matter how much. You should have a minimum of three to six months of expenses in savings that could be used as an emergency fund if the need ever arises.

Make Cutbacks

The first step to making cutbacks is to prioritize your expenses. This means taking a hard look at where your money goes and asking if it's a necessity. Do you really need 100 cable stations and the largest data plan for your cell phone? Can you cancel or freeze your gym membership when it's nice outside? Could you get by with a haircut or manicure every two months instead of monthly? Also, expenses like buying coffee and going out to lunch add up quickly. Making

your morning coffee at home and packing a lunch every day will not only save you a ton of money but it's also much healthier.

Change Your Perspective and Lifestyle

Life is not about "keeping up with the Joneses" so ensure that's not your mindset. Plus, you have no idea the actual financial situation of anyone. A person can have nice things but be extremely in debt. Your concern should only be about your own finances. An easy way to ensure that you save the allotted amount each month is to have it transferred immediately into a savings account that you don't touch unless it's an emergency. Your bank can help set up an automatic transfer, or you can use the online banking transfer feature. Also, be aware of your weaknesses so you can avoid unnecessary spending. If you don't have money budgeted to shop, don't stop by the mall or any other store where you're likely to find things that you don't need, even if they're on sale. If you have bad habits like smoking or excessive drinking, stopping these will improve your health while padding your wallet.

Helpful Suggestions

Being committed to staying on budget is the first step to success. It's especially motivating to have a compelling reason like saving for a house down payment or getting out of debt. There are many free online budget trackers and apps available today. The good news is that there are countless ways to live a quality life while cutting costs. Below are a few suggestions:

- Learn to cook so you can make your own delicious meals instead of eating out (plus you can take leftovers for lunch the next day);
- Shop on Craigslist or at nice consignment stores for everything from furniture to clothes to baby goods;
- Be prepared and clip coupons, be it for the grocery store or a department store; and
- Spend time researching free activities offered on weekends and evenings.

Think outside the box and enjoy finding ways to stick with your budget. The end result is well worth the small sacrifices along the way.

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