

# The Most Important Item In Your Budget Isn't an Expense

*The best way to save? Build it into the plan. Plus five key tips to get yourself back on track.*

By Suzanne Gerber

Budgets are nothing to joke about—though British writer Sally Poplin once observed that while “some couples go over their budgets very carefully every month, others just go over them.”

According to a 2013 Gallup poll, just a third of Americans work with a household budget. Yet experts agree that keeping one is the best way to set priorities, control spending, avoid or minimize debt, find money leaks, and ultimately, save enough to reach your financial goals.

There's no shortage of tools and methods to create a customized budget, but more important than the software you use are understanding the basic principles, being realistic, and making savings a priority.



## Tips for Smart Budgeting

Any good accountant or app can help you *create* a budget, but neither of them can do the important work: getting you to *stick* to it.

**Remember: Your budget isn't punishment or a set of involuntary, draconian restrictions. If anything, it's a roadmap. You wouldn't get in your car and set out for Yosemite or Yellowstone without knowing how to get there. (Not since that summer after sophomore year, anyway.) Sure, you may get there eventually, but think of all the time and money you'll waste. It's the same with your financial goals.**

If this is your first budget, make a commitment to keep daily, or at least weekly, records of your spending. Break it down by categories so you have a more detailed understanding of your expenditures and how they form a pattern. Knowing where the money goes is key to managing expenses

more carefully.

Set clear financial goals—and continue to redefine them as life circumstances change. This gives you something to aim for both short- and long-term. What do you want to accomplish by the end of the year? By the end of next year? Build up an emergency fund, and anticipate milestones that come with hefty price tags, like a new car, dream vacation or your daughter's wedding.

## Don't Forget to Save

Even if you're diligent about recording all your expenses, don't forget to have a budget line specifically for saving. Focusing on spending is important, but if all you're doing is sticking a finger in the dyke when you spring a financial

leak, you'll never get ahead. Setting saving goals for each year, broken down by month, is the best way to insure you reach them.

But sometimes, despite your best intentions, expenses outpace income. When this happens, you want to implement a crash program to bring down debt or earn extra money. And a simple—not easy, mind you—way of hitting your monthly savings number is by finding ways to spend less. A dollar saved really is a dollar earned—and **that's after-tax** earnings.

**Saving money, like losing weight, can be its own motivation. A few "lifestyle tweaks" plus some additional income can correct past problems and create room to build up savings for a more secure future.**

### 5 Tips for Closing the Budget Gap

Hopefully your earnings will supply enough capital to meet your expenses and your well-calculated savings goals. But should you find yourself slipping backward, due to job loss or a huge, unexpected expense (medical, home-related, etc.), you need to take immediate, turbo-charged action to stay on course. Here are a few ways to do that.

1. Get a second job or find passive income streams. Join the sharing economy by renting out your apartment or a room in your house through Airbnb. Do freelance work for a friend. Open an eBay or Etsy store.

2. Pay off high-interest credit accounts. If you have multiple cards, consolidate your debt onto one. Call the institution and negotiate a lower rate. Take money out of low-yielding investments to pay it down if necessary.

**3. Cut out "luxuries."** For at least six months, give up your cable, stop taking cabs—and walk or bike whenever possible—and replace expensive restaurant meals (and bar bills) with home-cooked meals. **Bonus: They're probably healthier.**

4. Become a smarter shopper. A lot of small expenses quickly add up to one giant chunk of your paycheck. Buy in bulk, use group coupons, cash in your airline/hotel reward points, download an app and get serious about comparison shopping, switch to a bank without predatory fees, grow your own veggies.

5. Give up one expensive habit or hobby. If you smoke cigarettes, start there. (Huge fringe benefits with that one.) And while you *feel* like it would kill you to give up golf, cancel your tennis lessons or fire your personal trainer, remember: These are temporary, stop-gap measures. **Once you're back in the black, you can reinstate anything you can afford.** But the good news is, some of these positive lifestyle changes may become permanent.