

Budgeting, the importance of keeping track of your money

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When most people think of budgets they think of restriction. There are many reasons why people do not budget.

If you have ever experienced fear about your finances, budgeting will provide a roadmap. Active awareness of what you have coming in, your income and what is going out, your expenses. An individual needs a record keeping system and management of each penny within their system. Budgeting is one component of one's financial picture, saving, cash management, credit management, insurance coverage, buying goods and services, paying for higher education, utilizing employer benefits, saving for retirement, and providing health care. There are other components. Budgeting is a foundational piece of becoming a wiser consumer and financially literate.

Budgeting is a way to harness your priorities and money. One can see the results of their actions through numbers, if all spending is recorded and analyzed. The key to start a budget is the desire and willingness to use it. It is useless to create and fill in a budget if you do not use nor follow it. A budget is an active document that needs maintenance and modifications. Keep it simple, from your categories to your math. It is addition and subtraction in the most basic form, no need to do percentages, unless you love too. Do not make it too complicated until you learn how to use it for several months. Add categories and more details as you practice with your current budget. If something is not working, do something else. Ask for hints and ideas from others who use a budget.

Beginning a budget can be intimidating, here are several suggestions to begin.

1. Choose how to record your budget (or financial documents) on paper, on the computer saving electronic documents, using an app on your cell phone or maybe combination of all methods. Organization can help with your routine to begin to use your budget. Keep it simple and do what works for you, not others.
2. Choose where to store your paper and electronic records. Common types of organizers include: three-ring binder with page dividers, baskets, file folders, or organizer of some type. In addition, it is recommended to lock up any financial documents to reduce risk. Anyone who is in your home may access your financial records if they are not locked away. Theft and identity theft need to be considered when leaving financial records unsecure.

3. Pick the type of budget you will use. There are thousands of templates that already exist, use one. Keep it simple, to one page in the beginning. You can make it more complex as you learn.

4. When creating expense categories for your budget, remember monthly expenses and yearly ones. Keep in mind your pay periods if they are regular, irregular, or seasonal. Your budget is depending upon the money coming in. Another helpful suggestion is to pay yourself first, a certain percentage or amount without fail. This can assist with building your savings account. If you do not make enough, you may need another job or to sell something. Depending on your situation and family needs.

5. Any extra money can assist you with goals, paying off debt, or whatever you choose. Continue to monitor and adjust. Budgeting takes time and practice.

I have witnessed people who have bought incredible gifts, new vehicles, exotic trips, goods and services of all kinds with extra money. They budgeted for those items, they did not win the lottery or get a big inheritance. Reaching a personal goal is an incredible motivator to continue with other goals.

After thinking about different ways to change your spending or saving, then acting upon it, progress can be made. Changed behavior over time, in baby steps or giant steps can be counted. Everyone chooses a different path, paying attention is KEY to an effective budget.

“Do not save what is left after spending; instead, spend what is left after saving.”

— **Warren Buffett**