



Mastering Your Budget: Why You Need A Budget

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A Budget will make your money go further and do more. Budgeting is the process of identifying your income and expenses to be able to stay within your means—often with bigger financial goals in mind. For example, tracking this month’s groceries might mean finding the money you need for an autumn trip to Mexico. Or it could mean being debt-free by the end of this year. On a practical level, a budget helps you track spending and avoid missed payments, plus it can also help you realize your real-world dreams.

Budgets Create Opportunity

Most budgeting advice emphasizes cutting back on expenses, but people could also benefit from viewing their budget as an opportunity rather than loss. Most people think that a budget means “No more Starbucks, eat out less, buy secondhand, etc.” While this is true; you do have to live within your means, it obscures the goal of real financial freedom, which is to create sustained wealth. If you can change your

budgeting mindset from scarcity to opportunity you will find that a budget is your best friend.

The fear of scarcity, in combination with truly limited or unreliable income can create fear and stress and lead to missed payments or poor decision-making, such as taking out high interest payday loans or credit card cash advances.

Small changes can decrease the stress, unpleasant surprises, mental, and emotional demands associated with the fear of scarcity. These small changes include balancing income and spending which creates more predictability and less stress. Setting up automated payments for things such as your rent, loans, and credit cards will also help to reduce the stress of additional fees associated with late or missed payments. When you have an automated payment, and you know that money is coming out of your accounts, you can budget for it. This is a smart method to improve the payments process.

Budgets Build Savings—and Reduce Debt and Surprises

Planning how you save and spend helps reduce overall debt, which eventually leaves more money for fun and ensures you're not stuck in a trap where you're constantly accumulating more debt. You can strategize and plan by setting up a debt reduction plan that works for your budget.

Another benefit to budgeting is that you can be financially prepared for the unexpected. Specifically, by creating an emergency fund. By placing a specific amount that works for you into this fund, you can be prepared for things like unexpected medical bills or even losing your job. After your rainy-day fund is established, you can next work toward saving money for retirement, vacations, or simply higher-cost items such as a new phone, TV, or car.

Once you start carefully watching your spending as part of your new budget, you might more quickly notice merchant errors or attempts to fraudulently use your credit card. When these activities are caught early, it can save you stress and headaches in the future.

Budgets Simplify Tax Time

Budgeting now can help you in April when its tax season. If you are itemizing, it is a big headache to go through the entire year of transactions, receipts, and statements to find everything that needs reporting. With a budget in place, maintained, and kept up to date, you

will have already collected much of that information. Keeping track of income can also be essential for tax reasons, as can spending in categories like charitable contributions, education, childcare, and health care. Also, while you can choose to prepare and file your taxes by hand, tax preparation services or software such as Turbo-Tax can be extremely helpful for efficiently organizing what you need when doing your taxes.

Budgets Make Goals Achievable

Going into every month with a budget can help set spending intentions and boundaries will give your money purpose. You should create a new budget the beginning of every month. The [EveryDollar Complete Guide to Budgeting](#) provides a step-by-step approach to creating a budget. Everyone can develop a basic budget with their income and fixed or common monthly expenses. It's also important to review your calendar for periodic expenses such as annual renewals or special events or activities so you can plan accordingly. Those plans may be more easily realized with a budget, too. Self-control is difficult, so setting smaller-monthly spending limits can help to achieve goals that require self-control.

Sometimes setting a daily spending budget or savings goal is easier to manage than a weekly or monthly budget, although each will help you achieve your final goal. For example, saving for retirement might feel challenging if you see it as a big number. However, creating a short-term goal of putting away \$10 per week or \$40 per month into your retirement fund can help you reach your long-term goal.

There are several budgeting tools available that make budgeting easy. Dave Ramsey's ['EveryDollar'](#) budget tool makes budgeting easy, and best of all, its full-featured and free. You just enter some personal financial information, such as your monthly income and expenses, and the EveryDollar calculator build your budget and provide the guidance you need to keep your finances under control.

Conclusion

Everyone's budget and financial priorities will differ depending on their individual circumstances. When creating yours, think about the goals you want to reach and things you want to do in your lifetime. If you know why you're budgeting, you'll be more likely to want to go after it. By understanding the "why" behind budgeting, you'll be able to choose

a budgeting strategy that works for you and begin your journey towards being Debt Free and Financial Freedom.

If you would like assistance creating a budget, you may want the help of a [Financial Coach](#).



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