

The Basics of Budgeting

You've got goals. We've got a plan. From starting a business to buying a car to owning a home, it's important to build a long-term and ongoing plan for budgeting and saving. And this plan makes budgeting feel less like a burden and more like a breeze.

Set Goals

Think about what your short-term (vacation or new tires), intermediate (buy or remodel a house) and long-term (retirement or kid's college fund) goals are. Then estimate how much you'd like to save for each. For some (like a down payment), you'll need to save the whole amount. For others, you may prefer to save only part of the total cost (you may want your kids to contribute to their college fund). Write down each goal along with a timeframe. And finally, prioritize your goals to help establish your budget.

Make a Plan

Now comes the fun part: building your budget. It will keep you on track and in control by highlighting your spending and setting a framework. Whether you're using a pen and paper or a detailed excel spreadsheet, these easy steps will get you started:

- Start by summarizing all your income sources, then add up your current monthly take-home income.
- Next, outline your monthly expenses, starting with what you're spending right now, not with what you'd like to be spending. Tag each expense as either consistent expenses that don't change month-to-month (like rent or a car payment), or discretionary expenses that vary each month (like groceries, gas or entertainment). For discretionary expenses, put in a reasonable average.
- Now summarize the difference. Are you spending more than you're making? Don't worry—you can reign things in by making adjustments to what you're spending. Are you making more than you're spending? Great! Now it's time to figure out how to save it.
- For each goal you set, calculate how much you need to save monthly to meet your goal amount and timeline. Adjust your discretionary income budget to make room for more savings if needed.
- Once you've defined what's possible within your budget, review your priorities and think about what goals you can shift to make your day-to-day life possible. Be flexible and don't beat yourself up.

Save, Save, Save

Based on your goals, create a savings plan by setting a monthly amount to put into each goal's fund. Then, pay yourself first—that is, putting those funds somewhere that's not your checking account, so you're not tempted to spend it. This could be as simple as a cash envelope for each goal, or individual savings accounts. The important thing is to put your savings someplace safe—out of sight and out of reach.

Some tips for specific savings goals:

- **Retirement Savings:** Although retirement can feel far away, the sooner you start saving for it the better. Even small contributions add up over time and many employers have programs that will match some or all your contributions. And utilize tools like a 401k or IRA to maximize these savings.

- **Emergency Funds:** While we hate to think about it, it's important to have a back-up plan in case things go sideways. It's wise to have at least 3-6 months of living expenses in your cash reserve (which you now know based on your budgeting exercise!). However, it's smarter to have even more, if feasible. If this seems like too big of a goal, start small and work your way toward it—anything is better than nothing. Keep your emergency funds in a liquid account, like a savings account, so it's easy to access. While credit can be a secondary source of funds in a time of crisis, all borrowed money needs to be paid back and can carry high interest rates.
- **Goal-Related Savings:** Be honest about your habits. If you're likely to dip into a savings account when you want a new pair of shoes, then it's best to segment your savings so that it creates a mental barrier (this could mean multiple savings accounts, or a ledger you keep tied to specific goals from one account). Depending on how long-term your goal is, these savings can be invested into accounts that may gather a bigger return, but not as easily accessible. A financial advisor can walk you through the types of accounts that make sense for each type of goal (like a [money market or CD](#)).

Check Progress

Set a reminder to check in on your goal progress and spending once a quarter. If your life circumstances change, simply update your budget to make sure it aligns with your current needs.

Along the way, be patient with yourself. You don't need to track every expenditure, but you do need to keep track of your overall progress toward your goals. There will be months where you go off-budget (life happens!), just remember to be flexible with yourself, while still sticking to an overall long-term plan.

You can also always consult a financial planner who can help you evaluate your goals, outline a strategy and connect you with available resources.

Let's Chat

If you'd prefer to talk through saving and budgeting with a local expert, we've got you covered. Stop by your [nearest store](#) today to schedule a chat with a store associate—let's see how we can help you grow!