

THE FINANCIAL BENEFITS OF BUDGETING

Budgeting stops unnecessary spending. Do you find yourself constantly pushing your family to new heights of debt because you want to keep up with the neighbors, your friends or the Jones family? If the answer to that question is yes, you are probably one who shops and buys impulsively, spending money both out of boredom and for other emotional reasons. Let's say that you often pass the time by visiting a variety of your favorite stores. You probably spend irrationally and when it comes to special sales at your favorite retail stores, you can always find a reason why you must buy it now.

Years ago when a family needed to purchase a major item, it may have taken months or years of saving before that purchase could be made. But times have changed. Through the world of credit financing, many families have accepted an automobile payment as a permanent part of their family budgeting.

If you ever hope to get out of debt, the first step is to bring a quick halt to credit buying, especially on common items such as clothing, appliances, furniture, food, meals out and recreation.

Budgeting opens the door to financial security. A budget is a money plan. With it, you can organize and control your financial resources, set and realize goals, and decide in advance how your money will work for you. Budgeting is a great way to assess your financial needs. It will give your family an overall picture of where your money is coming from, when it is coming in, and how you are spending the money you earn.

Many people think that preparing a budget is very complicated or that it takes up too much time. Even if you are financially free of all debt, budgeting is still an essential part of your financial life. A budget can be as simple as it is powerful. The basic idea behind budgeting is to save money up front for both known and unknown expenses. A budget is the key to making everything else work. It's your game plan, your strategy. And it has to be proactive. Knowing where you stand financially and how to control your finances is a very valuable life skill.

Budgeting will help you get in shape financially. When people ask about getting their finances in shape, they typically have very similar goals. They want to save more for emergencies today. They want to invest more for college and retirement tomorrow. They

want to get out of debt. They want security for themselves and their families in case disaster strikes. And they want to know how to learn about their money—because they know that when it comes right down to it, they are responsible.

Budgeting helps you keep the money you earn. You work hard to earn the money you receive. But, once you have your paycheck in hand, do you use it wisely and efficiently? Without a spending plan it is difficult, if not impossible, to use the money in an efficient, strategic manner. Without a budget most of us will just muddle through life, trying very hard to stay one step ahead of our bills. If a budget makes you cringe, just think of the entire process in this way. First of all, you are simply summarizing how you already spend your income and, secondly, you are simply outlining some basic guidelines for your future spending. It becomes your own personal tool to develop awareness of how you are spending, where you are spending and on what things.

Budgeting will help you become debt free. If your goal is to achieve and maintain a debt free position and to use your resources in a manner that is right, you need a written budget. Trying to go without one is like trying to find your way out of a wilderness area without a map—you don't know where you are, where you are going or what lies ahead. You might get lucky and get rescued, you might wander around a long time before you get out, or you might not make it out at all.

Even if you have a budget, you still need to review it once or twice a year to make sure your spending habits are on track, to adapt to any significant changes in your life, and to make sure you are achieving the goals you established.

A budget will help you with the big-ticket purchases. When the need arises to buy things of great expense, a budget will help you in the advanced planning stages, before the need arises. Perhaps it would be for the new house or new car. It might be the children's education, a remodeled room in the house, a shed in the back yard or a fence around the property. Or perhaps it will be new blinds for the windows, new carpet on the floor, or a range or refrigerator. How about special goals? Next year's vacation, painting the kitchen, new furniture, or drapes for the living room must be provided for systematically. If the amount of money needed for a special goal or coming event can be determined in advance, it may be practical to include a regular payment for this event in "fixed expenses." Then the money will be on hand when it is needed.

Saving for what you want takes time, planning and some thought. If it is not thought out ahead of time, it is so easy just to pull out the plastic, put it on a credit account and overspend until we reach the critical stage of too much debt.

Budgeting brings you extra money. This might well be everyone's favorite. A budget will almost certainly produce extra money for you to do with as you wish. Hidden fees and lost interest paid to outsiders can be eliminated. Unnecessary expenditures, once identified, can be stripped out. Savings, no matter how small, can be accumulated and made to work for you.