

Common Errors in Budgeting

Don't you just hate to fail, especially when you've invested time and effort into a project? It happens all the time, especially for those who are starting to take control of their finances. Here are some common errors to watch for.

Impractical Goals

It's easy to fall into our first failure trap. In fact, in some ways it's hard to avoid it. That's because it's built right into the process. Our first step in starting a budget is to add up all our income and also all our expenses. Then we try to juggle the two until we get the income equal to the expenses. It's a game of getting the math to work out.

What's wrong with that? Well, quite often, we take the list of expenses and pick a number that just seems right. For instance, we might decide that we can live on a grocery budget of \$200 per month. But, if that target is just a guess, it's probably the wrong number. And, if we reduced it to get the expenses below our income, it's probably too low.

So now we put the budget into practice. Then we get near the end of the first month. There's a week left and we've already spent our budgeted \$200. Out comes the credit card and we begin to curse our budget.

But, what has really happened here? We set up a target that was unrealistic—and missed it. Now that doesn't mean our budget won't work. It just means that we need to set a more realistic target.

In fact, we're in a better position now to accomplish that, because we have a better idea of what we actually do spend on groceries. No more guesses. This is no time to quit. Rather it's an opportunity to make adjustments and keep moving toward our goal of having control of our finances.

Giving Up Too Soon

The second common cause of failure, quitting too soon, is similar. Say you've been trying to use a budget for a couple of months. You've done all the math and kept track of

both the money coming into your home and where you've spent it. You've worked hard on this.

Yet you always seem to get to the end of your money before the month is over. Frustration sets in. The temptation is to throw in the towel and give up. A perfectly understandable response, but it's the wrong answer. Look at it this way. Suppose you were driving to Disneyworld and, about half way there, you realized you had made a wrong turn and had driven 50 miles off your planned route. Would you quit and go home? Of course not!

So why should we give up on a budget just because everything doesn't work perfectly the first few months? Do the same thing that you'd do on your vacation.

Look at your budget map and adjust your route to find the best way to reach your destination. Make the adjustment and move forward.

Misunderstanding the Purpose of a Budget

Our final cause for budget failure is not understanding what a budget really is. Too many people think that a budget is something to keep them from spending money. However, that is wrong. It's not a straightjacket.

A budget is a tool to provide you with information to manage your finances. The knowledge gained by tracking income and expenses will help you get the most for your money. In fact, a budget can help you find money, so you can spend where it will give you the most enjoyment.

Fortunately, all three problems can be corrected by using the budget as a management tool. Each month, your budget will show what you planned and actually earned and spent. That's valuable information. The trick is to see where the actual numbers differed from the expected numbers.

Once you've found a big difference, you can begin to analyze why it happened. Was there a big one-time expense this month? Maybe you committed our first mistake and just guessed at what you'd spend. But it could be that you've been spending carelessly on groceries. If that's the case, you'll look to find some savings this month.

Each month, work on the biggest differences until the whole process runs smoothly. Just take on one or two at a time. Month by month, you should get closer to actually having control over your finances. After awhile it's just a matter of checking to make sure that everything is roughly on target and making minor mid-course corrections.

Now that's not to say that it's easy to resolve those differences. Sometimes it's not. But it's always easier to work when you have some clues to help point you in the right direction. With the information your budget provides, you know where to look for possible savings. That is often the difference between frustration and success.

It's always a shame when you work hard and don't receive any benefit from your work. Don't let that happen to your budget. It takes much less effort to fix a budget than to start one. You've already put in the hardest work, so take the time to reap the benefits. You deserve it.

Family or Relationship Strife

Genesis 2:24 says that God created a husband and a wife to be one. That means that, in the context of a marriage relationship, a budget must work for two people and not just for one.

A common error in budgeting is to try to overcorrect previous bad habits. Crash budgets may work on paper, but not where people are involved. The husband may deem some purchases for the wife to be unnecessary, while in fact he considers his fishing supply expenditures a necessity.

In some cases the husband can make out a budget that works very well for him, but in doing so he eliminates his wife's discretionary spending, while sacrificing none of his own.

If this fits your situation perfectly, here is a Scripture for you. "The way of a fool is right in his own eyes, but a wise man is he who listens to counsel" (Proverbs 12:15 NKJV).
Lesson learned? The primary counselor of any husband should be his wife.

Legalistic Budgeting

Some couples become legalistic and try to control their spending right down to the nickel. Unfortunately, many times it's the husband or the wife trying to control the other's spending.

The other extreme is that people don't maintain the discipline necessary to stay on their budgets. Many couples say, "We don't want to think about it. It's too depressing." However, thinking about how you're spending your money before you have problems is not nearly as depressing as thinking about it afterward when you're trying to climb out of a deep financial hole.

The More-Money-In, More-Money-Out Syndrome

This means you spend more simply because you have more. This is particularly dangerous if the extra money is temporary income. Although not possible for all couples, one idea is to just rely on one spouse's income, setting aside additional income in your monthly budget. Save this money and use it for one-time purchases such as a car, a down payment on a home, or vacations.

Thinking that a Little Debt Won't Hurt

Generally, the little debts come from taking a needed vacation that is more expensive than you can afford, from gifts that you just had to buy, or a car you had to have. You get the idea. A little debt will hurt, because once you've developed a cycle of debt, it grows and grows. Eventually you find yourself borrowing money just to make payments on the money you borrowed. So limit your debt right from the start.

Automatic Checking Account Overdrafts

An automatic overdraft allows you to write a check for more than you have in your account, which becomes a loan from the bank. Many couples run up thousands of dollars in debt on overdrafts before they realize it. This does two things. It encourages you to be lazy and not keep good records and it builds debt that is difficult to reduce.

Misuse of Automatic Teller Machines (ATM)

Many people fail to log ATM withdrawals in their checkbooks and end up writing bad checks. Also, it's easy to develop the habit of using the cash withdrawal to buffer your budget when you have spent what you originally allocated.

Refusing to Balance Your Checkbook

You need to make an absolute commitment to do this monthly, down to the penny. It's not difficult to do and any bank has a convenient form that shows you how to do it.

The Common Feeling of Discouragement

Remember, if your budget doesn't work the first month you try it, don't become discouraged. Developing a realistic budget takes time.

Habits change slowly, especially spending habits. It may take six months or more before your budget begins to work well. At times, your resolve will be tested by everything from a clogged sewer line to a broken arm.

Stick with it. Remember, once you have entrusted your finances to God's principles, He will be faithful to provide for your needs. Using a budget is a sign you want to employ God's wisdom in your finances.

As He says in His Word, "By wisdom a house is built, and by understanding it is established" (Proverbs 24:3 NIV).

Wrong Thinking: "I don't have enough money to budget!"

Anyone—with any amount of income—can create a simple budget that works. The belief that a person doesn't have enough money to be on a budget indicates the person does not understand the concept of budgeting. Everyone, especially every Christian, should operate with a budget in order to be the best possible steward for God. Beware of an attitude that results in the "more-money-in, more-money-out syndrome". Many people who think they don't make enough money to be on a budget believe that making more money will solve their financial problems. However, without a control vehicle (budget), the more money you take in, the more money will go out.

If you will learn to manage your budget now on a limited income, then managing your budget in the future will be much easier. Whether you make a little or a lot, living within your means on a budget can keep you on the path to being financially free.

Not Teaching Your Children

A final error in budgeting is failing to pass on budgeting skills to those who will soon need them....our children! The simple form of budget that has been presented in this book can work even for those who are very young and have little income, or perhaps have only the allowance given by their parents.

“Instruct them to do good, to be rich in good works, to be generous and ready to share, storing up for themselves the treasure of a good foundation for the future, so that they may take hold of that which is life indeed” (I Timothy 6:18-19 NASU).