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**How I Finally Created a Budget I Could Stick To**

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We’ve all heard before that we need to budget in order to be financially successful. It’s not so easy, though — most of us picture hours of slaving away in front of an out-of-control spreadsheet, or waving goodbye to friends as they go out to do fun things without you.

Not surprisingly, most of us fail to budget well at some point or another. I’m certainly no exception. Six months ago, though, I realized that if something didn’t change, I would be underwater very quickly due to a series of big life events.

This time, I came up with a specific step-by step strategy designed to address all the points that made me fail before so that I could push past the obstacles and become a successful budgeter.

**1. I did a 3-month spending analysis**

One of the biggest reasons budgets fail is that they’re not realistic. It’s easy to come up with numbers out of the blue about where you think money should be going ($1,500 per month to savings, anyone?), but unless you base your budget on realistic numbers, it’s doomed to fail.

The best way to figure out where your money is going is to set aside a couple hours and check your online bank and credit card statements.

Decide which categories you want to track in your budget, and then go through and tally up each expense within that category. Do the same for all your sources of income. Divide these numbers by three to get an average monthly spending amount for each category and an average monthly income, and there’s your starting point.

For example, I categorized:

Credit card debt

Rent/utilities

Student loan

Cell phone

Shopping

Dining out

Travel

**2. I used tools**

No need to reinvent the wheel. There are many different kinds of ways you can budget and each one works better for some people, depending on the goal.

Here are some ways different consumers have successfully budgeted:

Quicken and YNAB (You Need A Budget) are two similar programs based on a spreadsheet model. You enter in all of your purchases as you make them. This is the most time-consuming type of budget, and is great for people who are looking for detailed insights into their spending and income patterns.

Mint is a free app that lets you automatically link your bank accounts. It keeps an eye on your spending for you. It’s great for people who want a hands-off approach to budgeting.

I use Mint to aggregate all of my finances in one place. It gives me a clear picture of where my spending is going and even offers easy-to-understand charts. The only gripes I have about it is that it doesn’t track my 401(k) through my workplace and doesn’t track department store credit cards. Other than that, it’s a very simple way I check in with my finances and know where my spending is going.

Paper envelopes are an old-school budgeting system in which you physically separate your cold, hard cash into categorized envelopes. (There’s an online version called Mvelopes.) For each category, you’re only allowed to spend cash from the envelope during the month. Once it’s gone, it’s gone. This is a good setup for people who are often tempted by credit cards, and works great for categories where it’s easy to overspend, like dining out or entertainment.

**3. I trimmed expenses gradually**

When you did your spending analysis, chances are you were shocked by the amount of money you’ve been spending in certain areas ($800 a month on dining out?!). Rather than cutting these expenses cold-turkey and going into lifestyle shock, it’s better to trim these expenses back gradually and let yourself adjust to new spending patterns.

Figure out what the highest spending categories are, and start there. Shoot for a little less each month, like 30 percent less, or until you have a number that feels comfortable — both in that category and within your budget as a whole.

**4. I automated my savings**

Saving money is difficult. Take the hassle out of it by deciding how much you can afford to save each month, and then automate it. Set up your savings account to automatically pull the money from your checking account right after you get paid — that way you won’t even “see” it.

I’ve also found it helpful to keep savings at a completely different bank, or in an investment account — that way you can still access the money, but it’s enough of a hassle it resists impulse spending.

Tip: You can ask your employer to split up your paycheck and direct deposit it into different accounts (if you tend to keep your checking and savings at two different banks).

**5. I set short-term savings goals**

We know we need to save for things like retirement and children’s educations, but for me, these things are so far away it’s easier for me to focus on what’s happening now.

This is why I set up short-term savings goals — including a 3-month emergency fund and a vacation fund.

**6. I rewarded myself for a job well done**

Good financial management is hard work. Reward yourself with something tangible. I give myself short-term and long-term rewards:

• If I stay within my budget for a month, I treat myself to a nice dinner.

• If I stay within my budget for three months, I take a day off and do something fun.

**7. I budget hard now for easy budgeting later**

By following these seven steps, my own budgeting efforts have been successful for six months — far longer than ever before. As a result, even though I’m living on less income today than a year ago, I’ve managed to save up one month’s expenses for my emergency fund so far, a great start to my goal of a six-month emergency fund.

Think of budgeting as training wheels for your financial bicycle. Once you’re able to consistently manage your spending and saving without micromanaging it, you can consider scaling back on the ledger.

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