

5 Simple Budgeting Tips for Financial Success

Financial Literacy Month at BANKWEST

We know budgeting can seem intimidating, but it doesn't have to be! With these five easy-to-follow tips, reaching your short- and long-term financial goals can become a breeze. And guess what? These tips work for everyone, regardless of income level. So, if you're wondering how to manage money on a tight budget, we've got you covered with practical methods like the 50/30/20 budget rule and a whole lot more.

Let's dive into five simple budgeting tips that can change your financial outlook:

1. Start with Why

Before you begin budgeting, ask yourself why you want to save money. Understanding your motivations helps you set clear and achievable goals. Ask yourself:

- What matters most to you? Whether it's travel, homeownership, or education, identify your priorities.
- What realistic goal do you want to achieve?
- Is this goal motivating enough to keep you on track, even when saving gets tough?

2. Set Short-Term and Long-Term Goals

Divide your savings goals into short-term and long-term objectives. Short-term goals are small and achievable, like buying furniture or creating an emergency fund. Long-term goals, such as buying a house or saving for retirement, may take more time but are equally important.

What are short-term savings goals? These are smaller targets you can aim for, such as:

- A nice piece of furniture
- A weekend vacation
- A down payment on a car
- An emergency fund

Long-term savings goals could include:

- A deposit for an apartment or a house
- Paying off any long-standing debt
- Starting up your own business
- A trip around the world
- Saving for retirement

3. Track Your Spending

Collect all the details about your monthly expenses. This includes fixed costs like rent, utilities, groceries, phone and internet bills, insurance, transportation expenses, gym memberships, bank fees, online subscriptions, and more. Additionally, jot down variable expenses such as gifts, gadgets, entertainment like dining out and attending concerts, and remember to include irregular bills or annual costs. Reviewing old bank statements can help identify any overlooked expenses.

You don't need fancy spreadsheets—a simple list with a total at the end works just fine. If you have income from multiple sources, calculate your total income as well. Once you have a clear picture of your monthly expenses and income (assuming your income covers your expenses), you can determine how much of your income you can save. However, if your planned expenses exceed your earnings, you'll need to reconsider some of your variable costs. Let's dig in a bit more ...

4. Separate Fixed and Variable Expenses

After gaining a thorough understanding of your monthly income and expenses, the next step is to categorize your expenditures into fixed and variable costs. While fixed costs remain constant, variable costs can be adjusted to save more money.

Fixed costs typically consist of:

- Monthly rent
- Heating and electricity bills
- Insurance costs (i.e. car, personal liability or property)
- Student loan repayments

Variable costs, which can fluctuate on a monthly or weekly basis, include:

- Grocery shopping
- Entertainment (i.e. nights out, cinema trips, concerts)
- Clothes shopping
- Eating out

Your fixed costs don't leave room for much flexibility in saving, but your variable costs do. However, this doesn't mean you have to stop enjoying yourself. It just means forming daily habits to help you save a bit more. Here are some tips:

- Prepare meals at home instead of dining out.
- Consider if you really need to upgrade your phone.
- Designate one day a week for no spending on variable expenses.

5. Plan Your Monthly Budget

Now that you've figured out why you want to budget, what you want to save for, and identified your fixed and variable costs, it's time to figure out how to save money each month. This varies from person to person - you might be a freelancer with fluctuating income or a full-time employee with a stable paycheck. Or perhaps you're trying to make every dollar count on a low income. Regardless of your situation, we've gathered some useful budgeting tips that can apply to anyone, no matter their income level.

The 50/20/30 Rule:

The 50/20/30 rule is a simple guideline for budgeting your finances:

- Allocate 50% of your income to cover your "needs," such as rent and bills.
- Dedicate 30% to your "wants," like dining out and shopping.
- Reserve 20% for savings or paying down debt.

If you choose the 50/30/20 method, think about automating your expenses monthly. This involves dividing your income at the start of the month according to the 50/30/20 rule. By doing so, only the 30% allocated for "wants" remains in your bank account, giving you peace of mind as you spend throughout the month, knowing you're within your budget.

The Zero-Based Budget:

The zero-based budgeting method is a bit different from the 50/30/20 method. It involves giving every penny a specific purpose. By the end of the month, your total spending should match your income, leaving no money unused.

To do this, you need to carefully track how much you spend on fixed, variable, and savings expenses each month, right down to the last cent. It's a very detailed way of budgeting, requiring you to pay close attention to all your monthly transactions as they occur.

And there you have it! Again, budgeting doesn't have to be complicated. By following these five simple tips, you can take control of your finances and work towards a brighter financial future. Whether you're a student, a beginner in budgeting, or saving up for a big investment, these strategies can help you achieve your financial dreams.

If you have questions or need additional information, don't hesitate to reach out to us at BANKWEST ... we are here for you and with you!