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Experts: Do You Need a Budget?

BY AUSTIN NETZLEY

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There aren't many financial words that make me cringe more than this one: **budget**.

Nobody wants a budget. It is restraining, and is something most avoid like the plague. But do you need a budget to become wealthy?

Well, the experts weigh in on this along with their reasons why, as well as how to create a budget that works.

Enter the experts...

Yes, You Need a Budget (6 Experts):

"Personal finance cuts across all social strata. **Personal finance is not passive; it requires you to take action to control it.** Budgeting your finances is important because **if you don't begin controlling your funds, it will control you.** Success with money comes from creating discipline.



Personal finance is a sum of your money and your behavior. Too often, we count ourselves out of the game because we have made a few mistakes. I want you to consider the following statement: "You are not your bank balance; you are not the sum of your debts. You are a human being." – [Natasha M. Campbell](#), Founder and CEO, Lifestyle Success Unlimited



"Budgets are an essential part of creating a healthy financial life. Without budgeting, you can't track what you're spending. Budgets are like a map. You wouldn't drive across the country without a GPS so why not budget?

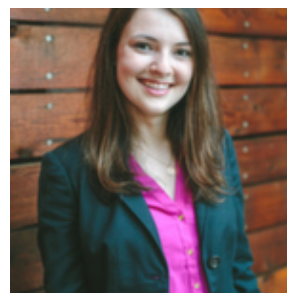
For people who don't want to think too hard about categories and percentages, **I advocate the 50/30/20 rule, which says that 50% of your pay should go to living expenses, 30% to entertainment/shopping and 20% to savings and debt payments.**" – Zina Kumok, Blogger, [Debt Free After Three](#)

"What are some tips that you would give someone to create a sustainable and simple budget?"

1) **Start with Why** – people can do budgets perfectly but if there isn't a strong reason to follow through it's pointless

2) **Start Simple** – round numbers, make educated guesses

3) **Expect Issues** – it takes a long time to dial in numbers and match it to your real behaviors. If you go into it knowing there will be issues, you won't view it as failure...just something to adjust." – Dave Jacobson, Financial Coach, [Financial Fitness](#)



"Tracking spending is the only way to truly know where your hard-earned money goes. A recent NFCC poll showed that **most people think a budget is restrictive, when in fact it is meant to put you in charge of your money.**

Have everyone in the home who spends money track every cent for 30 days. At the end of that period of time, come together and review how everyone has spent their money. This will be a very revealing exercise, but will lead to some solid decisions about how the family can cut back or move the money around to better reflect how they want the money spent.

Be realistic. **I always recommend cutting back rather than cutting out, as this way you're not adjusting behavior too dramatically.**

Small changes can have big results, so don't think it's not worth the effort.

If you're single, an **accountability partner** can help keep you on track and reach your goals." – Gail Cunningham, Spokesperson, [National Foundation for Credit Counseling](#)



"Absolutely folks need a budget, but the critical first step is what are their financial goals?"

With that in mind a budget can then be developed to help them achieve their goals. **We should run our household like a business. No successful business would not operate without goals, and a way to check how you are progressing against those goals.** The first step is to start short-term and eventually work your way up to a long-term plan." – Kathy Fitzpatrick, Owner, [Padgett Business Services of Princeton](#)



"If you don't have any goals and don't care how you spend your money, then a budget isn't necessary. But since most people wouldn't purposely choose to wander aimlessly through life, a budget is very helpful in mapping out an objective strategy to get where you want to be. In that regard, a budget is more than a projection of what I want to do with my money and placing amounts next to categories.

Some tips for preparing a winning budget include:

- Know what you did with your money before writing a new budget. This is the first place to start in identifying any changes to be made in what you do with your money.
- **Create a list of all your debt balances and asset values, including bank account balances.** Knowing you need to pay down debt and build up savings is a good start but too vague. Writing out a balance sheet helps you identify specific debts you want to pay down and where to put savings.
- **Set appropriate priorities.** Basic priorities include food, shelter, clothing, and transportation. Filet mignon, cable tv, Gucci, and a new car are not priorities. Priorities are the basics you need to exist and make life tolerable. **Everything else is a need or want.**
- **Budget priorities first.** I have seen clients put pet care, newspaper subscriptions, and dining out on top of the list and allocate what's left to priorities, debt and savings. It needs to be the other way around.
- **Set aside something for an emergency fund.** All too many budgets fail when life throws a curve ball, and there is no cushion to absorb the financial impact.
- **Begin thinking about large expenses** and purchases you need to make, such as another car, new roof or downpayment on a house. **Break them down into small, incremental amounts that you can work into your monthly budget well in advance** of the



expense/purchase.

Monitor the budget. You can't know if the budget is working unless you monitor where your money actually goes. This may sound hard, but creating a budget and keeping your check register in personal finance software or app will make printing reports a snap. Then you can check how you are doing and whether any changes need to be made to your spending.



- **Include something fun every 6 months** to keep from burning out. Living on a strict budget is not fun. Trying to make it work for a long time is emotionally draining. Intentionally build a small expense in the budget for a weekend away, new gadget, or some other reward that doesn't kill the budget. Anticipating a trip or new purchase takes the drudgery out of budgeting.
- If you have to make changes to what you do with your money, **be committed** to making it work. **It sounds simple, but this is one of the toughest things to do in budgeting.** Put a picture on your fridge of a new car, new house, new gadget or that resort where you will spend a weekend away, so you will be reminded everyday to keep focused on the budget." – R. Joseph Ritter, Jr. CFP® – President, [Zacchaeus Financial Counseling, Inc.](#)

No, You Don't Need a Budget (3 Experts):

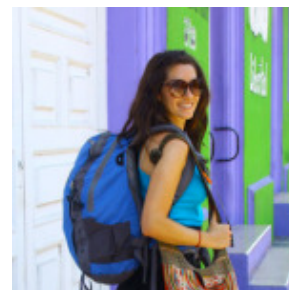
"Rather than creating a budget on an excel sheet or actually mapping out spending, I think it's more important to line up your priorities and your perspective.

Priorities:

- If you **really** want to accomplish something, like travel for example, you will do it, no matter what it takes, because it will become one of your top priorities (where there is a will, there is a way). **If you make a list of your priorities** (that have to do with your finances), **you will see what is most important to your budget.**

Perspective:

- **After you create a list of your priorities, look at what you actually spend your money on. If there is a big disconnect, you can begin to shift your spending to better reflect your priorities.** It becomes a matter of perspective: Should you really be spending \$700 on a new couch when traveling to Italy is near the top of your priorities list? A new couch or a plane ticket, that's a new perspective that will help you shape your "budget" into a plan



without ever having to sit down and create a budget that no one sticks to anyway." – Jackie Laulainen, Travel Blogger/Podcaster, TheBudgetMindedTraveler.com

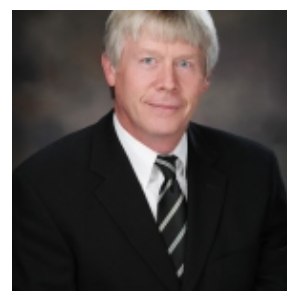
"Unlike most financial advisors, I believe the key to successful budgeting is not in creating a household budget, but rather in taking an alternate approach. Budgets are very difficult to maintain and adhere to. Individuals create budgets with the best intentions, but find them hard to maintain.

A proper budget entails listing out all of your income and expense categories and monitoring your expenses to ensure you do not exceed that category. Most people find it hard to do this on a monthly or quarterly basis. Online services such as Mint.com make it easier to maintain budgets, but still do not solve the second issue which is that budgets stress people out.



As an alternative, I suggest individuals find out how much they need to save each month to meet their goals (short, mid, and long term); have that monthly savings amount taken directly out of their paycheck/bank account before any other expenses are paid (basically pay themselves first); whatever is left over can be spent without worry because the person knows they have their goals paid for. I have found this system to work much better for people because they are not stressed out about tracking every expense." – Ara Ogheorian, President, [ACap Asset Management, Inc.](http://ACapAssetManagement.com)

"Budgets are like diets....they sound great but very few people follow them. What everyone needs is an automatic savings plan. Payroll driven savings are the best. 401 (k)s and simple IRAs invest money pretax. Once enrolled most people adjust their spending habits around their net paycheck.



The next best choice is an automatic savings plan from a checking or

savings account. Enroll into a monthly investment plan with a low cost equity mutual funds. As Ron Popeil says, "Set It and Forget It". **Investing as little as a dollar a day is a life changing event.**" – Brad Dugdale, Author of 'Let's Save America, 9 Lessons to Financial Success' and '[Munny Journey](#)'

So, do you need a budget? The answer isn't definitive for every person. Regardless of how you do it, you do need to save money.

I prefer to make things automatic as they take much less time and thought... while also getting me to live on less. As PT Money said in our interview, when you do this, you don't even miss the money. It is out of sight and out of mind.

Joe Buhrmann, the Manager of Financial Security Support at [COUNTRY Financial](#) shared the critical factors for success:

"When it comes to saving, whether it's for retirement, education or a new bass boat, the critical factors for success include: the amount you save, the rate of return you earn, and the amount of time you have to contribute and allow your savings to compound."

To get you to take this seriously, consider some calculations provided by Joe:

"Suppose you saved **\$5,000 annually at 7 percent** for 30 years. You'd have \$472,304 at the end of the period.

Now, suppose you wanted to boost your final total ... would you be willing to take on more risk? Could you put aside an extra 1 percent and boost your rate of return to 8 percent?

Assuming you did, at 8 percent your total at the end of 30 years would be **\$566,416- an increase of nearly 20 percent!**" – Joe Buhrmann

Small changes lead to big results.

Take control. Take action.



Make money, live wealthy.

The Experts:

- Gail Cunningham – Spokesperson, [National Foundation for Credit Counseling](#)
- Zina Kumok – Blogger, [Debt Free in Three](#)
- Dave Jacobson – Financial Coach, [Financial Fitness](#)
- R. Joseph Ritter, Jr. CFP® – President, [Zacchaeus Financial Counseling, Inc.](#)
- Jackie Laulainen – Travel Blogger/Podcaster, [TheBudgetMindedTraveler.com](#)
- Joe Buhrmann – Manager of Financial Security Support at [COUNTRY Financial](#)
- [Natasha M. Campbell](#) – Founder and CEO, Lifestyle Success Unlimited, LLC
- Ara Ogheorian – President, [ACap Asset Management, Inc.](#)
- Kathy Fitzpatrick – Owner, [Padgett Business Services of Princeton](#)
- Brad Dugdale – Author, [Munny Journey: Keepsake Journal for Baby's First Money](#)



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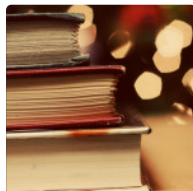
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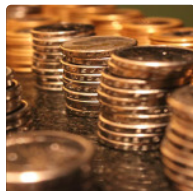
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