

LIVING ON A BUDGET - CHALLENGES

KEEPING MORE THAN YOU GIVE

COMPARE YOUR INCOME WITH YOUR PRIORITIES (YOUR NEEDS AND WANTS)

IF YOUR INCOME IS LESS THAN YOUR NEEDS, YOUR BUDGET WILL NOT WORK

You simply do not have enough money to sustain your current situation. This is an important concept to understand and one of the underlying factors as to why people get into debt: outspending their income. When this occurs you need to find ways to change the amounts spent on your Needs. This can often mean substantial changes to your way of living (housing, transportation and/or food). Alternatively you could increase your income: part time job, second job, occasional contract work.

IF YOUR INCOME EXCEEDS YOUR NEEDS, BUT NOT YOUR WANTS, YOU WILL NEED TO MAKE ADJUSTMENTS OR YOUR BUDGET WILL NOT WORK

You don't have enough to cover the extra things in your life. When this occurs you need to find ways to reduce the amounts spent on your Wants. This will likely mean changes to your lifestyle. Hopefully only a few minor adjustments will be needed and your lifestyle will remain mostly unchanged. But if your income barely covers your Needs, it might result in "all work and no play..." Short term pain for long term gain is okay if you are disciplined and your goals are worth the sacrifice. If you need more "spice in your life" then reexamining your Needs and making adjustments to them will free up more more money for the things that make you, and your friends and families, smile more often.

MOST MONTHS YOU WILL BE WITHIN YOU BUDGET (DID NOT EXCEED WHAT YOU PLANNED TO SPEND) BUT OTHER MONTHS YOU MIGHT BE OVER BUDGET

Life happens, things occur, we can't foresee everything. The important things is to keep track of your spending, adjust in the months that follow the 'bad month' and make up the difference so that you can get back on track. Budgeting is a long term activity, played out month by month, so that in the end, the goal is to be ahead not behind. And being ahead more often than you are behind, allows you the ability to absorb the negative effects of rarely being over budget.

IF YOUR INCOME FAR EXCEEDS BOTH YOUR NEEDS AND YOUR WANTS, YOU WILL BE IN A FORTUNATE POSITION TO QUICKLY BUILD UP YOUR SAVINGS

Savings allow you to build up a fund to help you achieve your goals. Savings are also essential in building a reserve to meet expenses incurred with occasional events and emergencies.

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