

LIVING ON A BUDGET - PRIORITIES

NEEDS VS. WANTS - PUT YOUR PRIORITIES IN ORDER

UNDERSTANDING AND DETERMINING THE DIFFERENCE BETWEEN A NEED AND A WANT IS THE FIRST STEP TO CREATING A BUDGET THAT WORKS

NEEDS COME FIRST

These are financial obligations that must be met each month. Needs are the items we need to for our survival: physical and financial.

- Physiological: food, shelter, clothing, healthcare
- Societal: transportation, communication (digital age)
- Financial: loans, credit cards

WANTS

These are the items and events in your life that you have more control over in regards to the amount spent, or not spent, each month.

- Enjoyable: entertainment, clothing, communication
- Savings: more than what is left over at the end of a month, this should be a item on your budget- more on this later.

SOME ITEMS MOVE FROM A NEED TO A WANT AS THE SPENDING INCREASES

Be honest with yourself. Ask yourself: is this something I can't live without (literally not figuratively)? If the answer is yes then it is a Need. If the answer is no, then you might have to put it back on the shelf for a later date.

PRIORITIZE YOUR NEEDS AND WANTS IN ORDER OF WHAT IS MOST IMPORTANCE TO YOU

Remember the NEEDS are at the top of the list. The items at the bottom of your list are the items that you can live without- at least for a short period of time. These are the items that will get trimmed when you are "over budget".

CATEGORIZE YOUR NEEDS AND WANTS INTO LABELED GROUPS THAT ARE MEANINGFUL TO YOU

Categories make it quicker to monitor and evaluate our average spending rather than specific, detailed activities.

- Your Entertainment category might contain movies, going out with friends, and going to shows. You might only spend money on some of these individual activities once or twice a year, but as a whole, the category could have activity every month.

Some of your categories may contain both Needs and Wants (clothing) and that's okay. The important thing is to know which expenses are Needs and which are Wants. Some common categories include:

- Housing, Transportation, Food
- Clothing, Health and Personal Care, Entertainment, Leisure
- Miscellaneous, Savings

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