

Building a Budget

JEN: Aw, man, I do not have the budget for new shoes right now!

BILL: Over budget, eh? Ahem.

JEN: Yeah, um, sorry.

BILL: Maybe I can help. I'm a card-carrying budget builder!

JEN: I keep trying to make a budget that works for me, but it all keeps... falling apart.

BILL: Sounds like you need a new approach. Don't hesitate to start from scratch and try again! Begin by getting your basic proportions right.

JEN: Hmm, go on.

BILL: A solid, well-proportioned budget will give you increased security, flexibility and efficiency when it comes to money. You won't end up constantly broke before payday, or saddled with out-of-control debts. What do you know about 50/30/20?

JEN: Is that a new boy band or something?

BILL: Ha ha. I like you! Allow me to demonstrate (whistle). Bring 'em in! Take your total net income, and create a

budget to spend 50% on needs.

NEEDS BRICK: I'm essential!

BILL: 30% on wants.

WANTS BRICK: You know I'm the coolest one.

BILL: And put 20% into savings.

SAVINGS BRICK: I've got your back.

BILL: You get it?

JEN: Umm...

BILL: Start with your needs. Factor in all the essentials like housing, insurance, clothing, transportation, cellphone, groceries and utilities.

JEN: But what if my needs cost more than 50%?

BILL: If that's the case, you have three choices: finding cheaper options, looking for ways to earn more money, or sacrificing a bit from another category.

WANTS BRICK: Hey! Lousy needs.

BILL: Your wants are the most flexible category, but they can also be the hardest to wrangle. Wants include dining out, concerts, movies, fashion, electronics, travel,

subscription services and all other non-essential purchases.

JEN: OK, I'll rein in my wants if my needs are too expensive. Cool.

SAVINGS BRICK: You could also sacrifice wants to put more into savings.

WANTS BRICK: Hey, back off, pal!

JEN: Yeah!

BILL: Savings are extremely important, and not just for big, long-term goals like buying a house or retiring. You can also save for short-term future expenses, like an annual payment, or a needed computer upgrade. You should put some money aside for an emergency fund as well. Saving up ahead of time will help you keep your budget more manageable, so you don't have to resort to high-interest debt to cover unforeseen expenses.

JEN: Can I save less than 20%?

BILL: Sometimes you gotta do what you gotta do, but remember that your savings help with future needs, which aren't optional.

SAVINGS BRICK: That's right! Ignoring me could come back to haunt you!

JEN: All right, I like this whole 50/30/20 thing, but my real problem is sticking to the game plan. How do I keep my budget from falling apart again?

BILL: That depends on you. Do you want total and complete control? Then go old school and make an itemized spreadsheet.

JEN: And... if I want super easy?

BILL: Then let technology do it for you! There are some great online tools and apps out there that make budgeting a snap! No matter which method you choose, make sure you track your spending for two months to get a full picture of your spending habits. Then you can make adjustments to trim down your needs, maximize your wants and stay on top of savings.

JEN: Nice! I can make it all work together, instead of feeling like each expense is fighting for dominance.

BILL: Yep! When your budget is well built, everything will fit nicely.

JEN: Hehe, awesome. I'll use the 50/30/20 rule as a framework and build myself a better budget this time.

BILL: Now you're talking. Go get 'em!

JEN: Whoops!

JEN: Hehehe.