

How to...*Establish a Budget & Stick to It!*

By Morgan Newman, Director - Investments

When I first entered the workforce, I would often times find myself afraid to pull up my credit card activity or bank statements online. It was easier not to look than to see my paycheck go poof! The crazy part was, I couldn't even tell you what I spent the money on. As I started to approach my mid-20's, despite salary increases, I wasn't making progress financially. It was time to put my big girl pants on and take control of my spending habits. By creating a budget, I was no longer wondering where my money went – I knew where it was going. In a few short years, I was able to increase my net worth, build my emergency fund and save for retirement. Now, I work with my clients to help them do the same by following a few simple rules:

1. Use the 50/20/30 Rule:

I often get asked – how much should I be saving? Am I paying too much in rent? The 50/20/30 rule is a general rule of thumb on budgeting by using 3 spending categories:

- **50% of your income should go to living expenses.** This includes rent, utilities, groceries and transportation.
- **20% of your income should go to your financial goals.** Are you trying to pay down student loans? Build an emergency fund? Save for retirement? You may have several financial goals and will need to prioritize how to fund them.
- **30% of your income is your flexible (or fun!) money.** This is your opportunity to think about when you spend money, what brings you the most happiness. Is it buying a new outfit to wear out on Saturday night? Travelling for a girl's weekend? Giving to charity? As long as you've covered your living expenses and savings, then you can enjoy the money you earn – you deserve it!

2. Beware of YOLO Expenses

I find more often than not, we know our monthly fixed expenses – things like rent or mortgage payments, utilities, subway fares, student loan payments, etc. Where we tend to get tripped up is what I like to call our YOLO expenses – shopping, bars & restaurants, gifts, travel, being a bridesmaid, etc. While you deserve to enjoy yourself, you don't want these expenses to get in the way of reaching your financial goals. For example, to be a bridesmaid in a wedding, it costs on average \$1,400 AND by the age of 27, the typical woman has been a bridesmaid 3 times....that's \$4,200 that could have gone to your emergency fund or student loans. So you have to be aware of these expenses and plan for them accordingly.

3. Automate Your Savings

When it comes to building wealth, there is no magic trick – you simply need to spend less than you earn. I know this is easier said than done, so there are tools to help encourage savings. Technology today allows us to automate it – out of sight, out of mind...right?! If you have a retirement plan through your company, this is the easiest way to save money – it comes directly out of your paycheck. If you are contributing to a corporate retirement plan, be sure that you are getting the full company match – don't leave free money on the table. If you aren't contributing, start with as little as 1% of your paycheck and increase it from there. The impact of investing & compounding those dollars throughout the years will be significant no matter how small the amount.

Bottom line... *get started today!!*

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