



## This 117-Year-Old Japanese Budgeting Method Could Help You Cut Expenses by 35%

### Description

I can still remember the year I made my first budget.

It was the summer of 2013, and I was studying philosophy in the second most expensive country in Europe, Switzerland. I had to make \$1,000 last for three months (my train ticket out of Geneva was enough to make my heart drop). So, like the terrible millennial that I am, I ignored the budgeting apps and bought a little ledger. For the entire summer, I wrote every expense down (charged to my [rewards card](#), of course), deducting them from my savings as I went along. And by the end of the term, I came back just as I had left: broke but not in debt.

At the time, I was just trying to survive. But my method was extremely close to the Japanese method of kakeibo. Practitioners of this 117-year-old budget technique claim it's helped them cut 35% of their monthly expenses, which is quite a lot, considering that kakeibo isn't even an app. What exactly is it, and can it help you? Let's take a brief look.

### What is kakeibo?

In English, kakeibo means "household account book." In essence, that's what kakeibo is: a physical ledger. In your kakeibo, you handwrite (yes, with pen and paper) your income, savings goals, and expenses. After you buy something (or, ideally, before you buy it), you label your purchase with one of four categories:

- Needs
- Wants
- Culture (books and streaming services, for instance)
- Unexpected

The idea is that by handwriting your expenses, you become more aware of what you're spending your money on. This could help you save more money, sure, but it could also help you understand your

relationship to money. What do you like to spend your money on? Do you ever stop to think *why* you're spending your money on certain categories over others? These are the kinds of questions a kakeibo approach encourages.

## How can you use kakeibo?

### 1. Buy a journal

Yes, we're going back to the basics here. In order to use Kakeibo properly, you should *handwrite* your expenses. Buy a moleskin, a bullet journal, or a spiral-bound notebook. Since you're going to be using this ledger a lot, consider buying one that can fit easily in your pocket.

### 2. Create your budget

Write out your combined monthly income and your expenses. Don't forget about variable, unexpected expenses (like birthdays and one-time payments), and debt repayments.

### 3. Set a savings goal

Look at what's left over from step two and decide how much you'll put aside for savings. You can put this toward one goal (such as paying off debt or saving for a house), or you can spread it over multiple goals (retirement, house, education, for instance).

### 4. Stay on top of your spending

Jot down every purchase in your ledger. You can categorize them, too, to help you get a sense of what you're spending your money on. Personally, I write my expenses in different colours: needs are black, wants are blue, culture is green, and the unexpected are red.

### 5. At the end of the month, calculate total money spent

Then deduct it from your total income. The money that you have left over is the amount you can save. Compare this with your savings goal. Did you hit your goal? Fall short? Overshoot it?

### 6. Reflect

If you didn't hit your savings goal, what happened? Did you spend too much money in a certain category? Was your goal too ambitious?

As you're reflecting for next month's budget, you can also answer these questions:

- How much money do you have?
- How much would you like to save?
- How much are you spending?
- How can you improve?

## Is kakeibo right for you?

I'm a big fan of kakeibo, but I know it's not right for everyone. If you're the kind of budgeter who needs a very detailed budget, the kakeibo budgeting technique may feel too open-ended for you. Likewise, if technology helps you budget, if you like your excel sheets or budgeting app, switching to pen and paper may not be realistic.

But give it a try. You can use your kakeibo budget with a [rewards card](#) or [cash-back card](#), too, helping you get some extra points in the process. Just write down your expenses in your ledger, tally up your total costs at the end, and pay off your bill when you get your statement.

At the end of the day, kakeibo could help you slow down and spend money more mindfully. That's an overused word these days — *mindfulness*— but when it comes to money, a little mindfulness, coupled with frugality, could be what we need to save more for retirement.

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