



Everyone Says You Need a Budget. But Do You? Here's Why it Might Not Work for You

Description

It's been hammered in our heads for so long, many consider it an 11th commandment: thou shalt budget.

List your expenses and match them with your income, so the commandment goes, or else you risk overspending.

But, thankfully, personal finances aren't one size fits all. In fact, I'll go ahead and say it: if one of the following fits you, you can ditch the monthly budget.

1. You're already saving money

If you're already saving money, then a budget probably won't help you.

Some Canadians are just natural savers. They pay themselves first, meaning they set money aside the moment they get paid. They put this money into a savings account, a TFSA, or an RRSP, and they don't touch it — not until they need it.

If that sounds like you, don't worry about budgeting. As long as you're saving consistently, it doesn't really matter what you do with the rest of your money.

On the contrary, if you find yourself always aiming at the same financial goals — building an emergency, saving for a downpayment, saving for retirement — but never getting anywhere, it might be time to design a budget that helps you make progress.

The best budgets have savings goals built into them. That is, before you budget your expenses, you list your savings goal first. For instance, if you want to save \$500 a month, you start by deducting \$500 from your monthly income. Whatever is left, you use on your living expenses.

2. You're naturally thrifty

Canadians who can manage to live below their means don't necessarily need to list their expenses line by line. In fact, if you're in control of your spending, you're already doing what a budget does best, which is to help you spend less than you make.

That said, if you're constantly feeling cash-strapped at the end of the month, it might be time to get on the budget.

Many Canadians suffer from what we can call "spending amnesia." That is, they spend money. Then, at the end of the month, they wonder where all their money went.

If you feel like you're living paycheque to paycheque, if you're unaware of how much you're spending, use a budget to get back on track. Once you see how much you're really spending, you can start slashing excessive spending and putting more toward your goals.

3. You automate your spending

Instead of budgeting out expenses, you might want to set up automatic withdrawals. When the paycheque hits the bank, money is automatically taken out to pay for housing, utilities, debt repayments, insurance, or even dropped into your savings account. Whatever is left becomes money for other expenses, such as groceries, subscriptions, and dining out.

With this method, you know your needs are covered. So long as there's money in the bank, you don't have to worry about overspending.

Of course, this method only works if you know for certain you'll have enough to cover your essentials. Those with a variable income may struggle to automate withdrawals, especially during bad months.

Do you need a budget?

If you're a natural saver or naturally thrifty, you probably don't need a budget.

But don't get me wrong. Budgets can give you insight into your spending habits and savings progress, helping you make necessary changes to your finances. They might not be right for every Canadian, but I'm willing to bet they're right for most people.

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