



How Detailed Does a Budget Need to Be?

Description

Ah, the detailed budget. Sounds responsible, doesn't it? A golden list of uber-specific expenses that help you track your spending. Seems like the best way to control your finances, doesn't it?

In theory, yes. The more detailed your budget, the better you understand where your money is going. But a hyper-detailed budget takes time to make, not to mention discipline to maintain. And if you're doing fine with a broad list of expenses, do you really need to get more specific?

Fortunately, budgets aren't one-size-fits-all. Before you start breaking your budget into smaller and smaller chunks, let's take a closer look at budgets and see how detailed yours should be.

What is a detailed budget?

A detailed budget gives every dollar a name and a purpose (think: zero-based budgets). That means, before the month begins, you know exactly how much you're spending, what you're spending money on, and how much you're saving, too. Detailed budgets typically have rigid spending limits and hyper-specific expense categories, both designed to help you stay on track and not overspend.

What goes into a detailed budget?

Detailed budgets get into the nitty-gritty, breaking big categories into smaller and smaller subcategories. For example, instead of a broad "food" category, you might have groceries, Ubereats, school lunches, dine-out, snacks, and Starbucks.

No two budgets will be detailed exactly the same. But, in general, most detailed budgets break down expenses into three categories: fixed, variable, and irregular expenses.

1. Fixed expenses

Fixed expenses are those costs that vary very little from month to month. Since they stay relatively the

same, fixed expenses are usually the easiest to track. Common fixed expenses include:

- Housing costs (rent or mortgage payments, property taxes, second mortgages)
- Insurance premiums
- Subscriptions and memberships
- Savings Goals
- Debt payments

2. Variable expenses

As you can probably guess, variable expenses are those purchases that fluctuate from month to month. Though sometimes the total cost of these expenses is within your control, such as with food, other times external forces cause them to go up and down, such as certain utilities and gas prices. Here are some variable expenses no detailed budget can go without:

- Food (groceries, dining out, take-out, snacks, school lunches)
- Utilities (electricity, heating/gas, water, internet, cable, garbage, cell phone)
- Transportation (bus tickets, gas, ridesharing)
- Clothing
- Personal health (doctor, dentist, medicine, therapy, beauty products)
- Entertainment (concerts, movies, hobbies, amusement parks)

Variable expenses are where a detailed budget can really shine. Since these costs are typically more complex than fixed costs, you can break them down into subcategories. The more detailed you budget, the more stable and predictable these expenses become.

3. Irregular expenses

Lastly, no detailed budget can go without the ever-tricky irregular expenses. These pesky expenses often pop-up when you least expect them, or if they don't come as a complete surprise, they're not an expense you'll budget for every month. Irregular expenses include:

- Car repairs
- Home maintenance, such as a roof or HVAC replacement
- Birthday presents
- Holiday gifts
- Unexpected trips (such as for funerals or other unplanned events)
- Surprise medical bills

Budgeting for irregulars requires astute planning. One trick is to include a broad "surprise" expenses category in your budget with an appropriate amount allocated to it. If nothing happens within the month, you could put this money in your savings account or a larger emergency fund.

Speaking of emergency funds, another trick is to have emergency savings set aside to cover surprise expenses. Having an emergency fund (ideally three to six months of expenses) will prevent any unexpected expenses to derail your budget.

When Is a detailed budget helpful?

A detailed budget is more work, but sometimes you need to do the hard work to take back control of your money. Here are some situations that call for more details in your budget.

1. You want to hit a tough financial goal

Your budget doesn't just define how you spend your money. It also defines how much you're saving. And for big savings goals that take several years to accomplish, like saving for a house, a detailed budget might be exactly what you need to stay on track.

Budgets force us to face reality. In your head, you may think three years is plenty of time to save for a down payment. But without numbers on paper, you might be grossly overestimating how much you can reasonably save.

The more firm you are with your expenses, the more accurate you can predict when you'll have your target sum saved. And once you see how much you can realistically save per month, you might be surprised at how little you have left for frivolous spending.

2. You need to get out of debt

For those who constantly live above their means, a detailed budget isn't just a suggestion. Often it's a necessity. Amassing debt with credit cards is a dangerous game to play, and if you fail to pay your balance every month, you could find yourself in a precarious position.

For those Canadians struggling to [pay down debt](#), your best money friend is a detailed budget. The well-defined categories can help you start spending less than you make, breaking your dependence on credit cards and helping you pay down your balances.

3. You want strict guidelines

You like spontaneous shopping sprees, surprise nights outs, unexpected weekend getaways. You're a sucker for a deal, even when you don't need what you're buying. You're a loose spender, and your budget—if you have one—doesn't stop you from a consumer-driven lifestyle.

If your money burns a hole in your pocket, you're probably the kind of person who needs a detailed budget. The rigid expense categories can help you put your money where it needs to go, and so long as you can resist impulse buying, a detailed budget can teach you how to handle money responsibly.

When you don't need a detailed budget

Detailed budgets aren't for everyone. You might find the rigid categories too constraining, or the super-specific subcategories may not be helpful. Here are some cases that may permit for a more flexible budget.

1. You're fine with a 50/30/20 approach

The 50/30/20 budget helps you keep a budget, but with far looser categories. Under this budgeting method, you allocate 50% of your take-home pay to essentials, 30% to discretionary expenses (like entertainment and subscriptions), and 20% to savings.

It's a loose approach. As long as you're putting the right ratios to the right places, you don't have to worry about being meticulous about your spending.

Of course, you can adjust the ratios to better fit your situation. If you need to save more money, you could make a 50/20/30 budget with 30% going toward savings and less toward discretionary expenses. As long as you have enough to cover your essentials, you can adjust the budget as you see fit.

2. Your situation calls for more flexibility

Detailed budgets work best when your situation is predictable. For those who have variable incomes — like freelancers, small business owners, or contractors — a detailed budget may be too much hassle to maintain, as it can be impossible to predict how much you'll bring home every month.

3. You make savings a priority

Some Canadians are just natural savers. When the paycheque hits the bank, they're quick to put money in a savings account. And when they want to save from something big, they have no problems hitting their savings goals.

If you don't keep a detailed budget, but you're a rock-star saver, don't fix what it's broken: keep doing your thing.

Do you need a detailed budget?

At the end of the day, your budget exists to help you spend less than you make, meet your savings goals, and cut out excessive spending. If you can do these with a less detailed budget, you're a rock star. If vague budgets make you spend more, however, then build more specific spending limits and expense categories.

PP NOTIFY USER

1. tmfkopp

Date

2025/06/27

Date Created

2021/05/13

Author

sporrello

default watermark