



The Best Ways to Stick to a Budget

Description

We've all done it. Some more than others, but we all know that feeling: [we make a budget](#), then fail to stick to the budget. An unexpected expense derails it. Groceries were too high. The car broke down. *Again*. Sigh.

It's true, some people are naturally good at keeping a budget. *What's their secret*, you might ask, *how do they do it?* Lucky for you, we have some tips that all budgeting all-stars follow. Here are 10 that will help you stay on track.

1. Build an emergency fund

Budgets often get derailed because they're hit with an unplanned expense. Surprise medical bills, car problems, even unexpected tax bills can turn any picture-perfect budget into a sad reminder that the unexpected will happen.

How do you plan for surprise costs? One way is to maintain an emergency fund. By putting a few thousand dollars aside, you don't have to reach for a credit card when an unexpected bill pops up. You'll have the funds to cover it.

Remember, your emergency fund is for emergencies only. If you're feeling tempted to buy something nonessential, don't excuse the purchase as an emergency. Housing renovations, last-minute holiday packages, and Christmas gifts are not emergencies, no matter how urgent they feel.

2. Set a savings goal

Sometimes, your budget just needs a little *umph* to keep you engaged. That's where your savings goal comes in. When your budget helps you achieve something you've always wanted to accomplish, you'll feel far more motivated to stay within its limits. Common savings goals include:

- [Paying off debt](#)

- Building an emergency fund
- Saving for a [down payment for a house](#)
- [Investing for retirement](#)
- Paying off your house
- Saving for a big purchase, such as a car or boat
- Saving for a holiday or trip

The trick with savings goals? Make them as specific as possible. For example, instead of saying, “I want to save for a downpayment,” say, “I’ll put \$500 aside every month for the next three years.” The more specific your goal, the better you can design your budget to meet it.

3. Be realistic

Another common way to kill a budget is to create unrealistic spending limits that set you up for failure. We’re all for ambitious goals, but if you want a budget that works, you’ll need to get real about much you actually spend.

How can you make your budget more realistic? A good place to start is to list your fixed expenses, those costs that rarely vary from month to month. These usually include mortgage payments (or rent), utilities, insurance premiums, and, of course, your savings goals.

Once you know how much you’re spending on fixed expenses, then you can factor in variable expenses, or costs that fluctuate from month to month. To get an accurate picture of how much you usually spend on these, you’ll have to look at bank statements from the last three to six months (possibly a year). Bracket an expense (like groceries) and find the average amount you spend per month. This will help you determine how much you realistically need to set aside for expenses that are otherwise difficult to determine.

Lastly, to get a full picture of how much you spend, pay attention to irregular expenses, or those costs that pop up once in a blue moon: birthdays, holiday gifts, and even annual checkups at your doctor’s office.

4. Track your spending

This may seem like a “duh” moment, but it’s worth stressing: the easiest way to break your budget is to spend more than you planned for.

Look — it happens. You budgeted \$550 for groceries, but you spent \$580. You budgeted \$300 for clothes, but a pair of shoes caught your eye, and you spent \$350. The small expenses feel innocent, but over the course of the month, they start to add up.

Fortunately, these days, keeping yourself within your spending limits isn’t hard. You can download an app that tracks your spending for you, or you can check to see if your bank account has a daily expense tracker. If you’ve never tracked your spending before, you might be in for a surprise — you may discover you’re spending more than you thought on nonessentials, expenses that were flying under the radar. Tracking these expenses brings them to the surface, helping you identify places to

trim.

5. Make sacrifices

Canadians who stick to their budgets typically follow the law of delayed gratification: resisting an impulse to spend today means having more money for tomorrow.

For many people, that's the single most difficult thing about budgeting, the sacrifice. You may want to spend more on entertainment than you budgeted (*when will Hamilton be in Ontario again?*), but if you want to hit your financial goals, you have to forego certain expenses.

6. But reward yourself, too

Sacrifice is important, but so are rewards. In fact, if your budget is so ironclad it doesn't allow you spend *anything* on yourself, you'll end up breaking it out of rebellion.

Budgets don't just tell you what you can't buy. They also tell you what you *can* buy, too. If you like buying clothes, add a line item dedicated to "fun clothes shopping." Of course, you don't want to overspend in this category (that's the trick) but when the budget allows you to spend money guilt-free, you'll be more motivated to maintain it.

7. Automate your spending

These days, budgeting your fixed expenses, such as your mortgage or rent payments, has never been easier. You can automate withdrawals from your checking account on the same day you get paid. This guarantees you prioritize essentials over other expenses. Before you have a chance to touch your money, you've already paid for the important stuff.

8. Automate savings, too

In the same way you automate withdrawals for fixed expenses, you can schedule withdrawals for savings and retirement accounts, too. This helps you prioritize savings over spending. Instead of spending money throughout the month and putting the "leftovers" in your savings account, you consistently put money aside when the paycheck hits the bank.

9. Want to buy something? Sleep on it first

So far we've talked about sacrifice. We've talked about tracking expenses. We've even talked about budgeting "fun money" to spend. But what if you see something so irresistible, you struggle to restrain yourself from buying it?

Well, first off — it's normal. Even the most rigid budgeters are bound to feel the temptation to buy something outside their spending range.

Secondly, we're not going to tell you *don't* buy it. That will only make you want the item more. Instead, step back and give yourself a full 24 hours to think about it. By allowing yourself some time to contemplate the decision, you'll better discern if the purchase is a wise move or an impulsive buy.

10. Still want it? Measure it by hours worked

But what if you can't wait 24 hours? What if there's no telling if the item will still be there tomorrow?

In that case, shift your perspective. Look at the item's price not in terms of dollars, but hours worked. For example, if you find a comfy wingback chair that costs \$1,000, and you make \$25 an hour, ask yourself — is this chair worth 40 hours of work?

Often, when you shift your perspective in this way, you'll discover that the things you want aren't worth the hours worked.

Can you stick to your budget?

It's going to be challenging, sure, but trust us — it's well worth the challenge. When you feel tempted to spend outside your limits, put the purchase in perspective. At the end of the day, does it really matter? When you retire, will you remember it? Nine times out of ten, you're betting off sticking to the budget.

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