

9 Tips to Take Your Budget to the Next Level

Follow these pointers and your chances of saving extra money each month will probably go up.

Americans are natural-born consumers. Every year consumption accounts for about 70% U.S. GDP. Unfortunately, with our "spend, spend, spend" attitude comes one nasty side effect: a poor personal savings rate. According to the St. Louis Federal Reserve, Americans' personal savings rate of 5.4% sits well below that of other developed countries around the world.

Why are we such poor savers? The answer might be found in our inability to properly understand our cash flow. On the surface you'd probably think it silly not to understand where your income is being spent, but the vast majority of Americans simply don't know. Based on a Gallup survey conducted in June 2013, 68% of survey-takers don't prepare a written or computerized budget each month that tracks their income and expenses. Truth be told, if consumers aren't keeping track of their income and spending with a budget, it makes optimizing saving incredibly difficult.

So what's the secret to creating a successful budget that'll put you on the fast track to understanding your cash flow and help you optimize your savings? I'd suggest that implementing these nine budgeting tips would go a long way to taking your budget to the next level.

1. Utilize budgeting software

The first step to simplifying your budget is to abandon preparing a budget by hand and take your finances online. There are countless options when it comes to choosing budgeting software these days, and all of them will handle the grunt work involved with adding and subtracting. One example, BudgetSimple.com, allows users to create a budget and get reports for free. For an upgrade fee of \$4.99 a month to a Plus plan, you'll have budget access via a mobile app and can directly link your bank accounts. It's potentially a small price to pay for what could be big savings.

2. Get everyone involved

Another important point when trying to stick to a budget is that it helps to surround yourself with people who share similar goals to improve accountability. This means ensuring that you aren't the only one within the household keeping a budget. Make sure to get the entire family involved (kids included), and consider sharing your budgeting goals with a group of your close friends or an online community focused on saving.

3. Have a "SMART" savings goal in mind

It helps to have relatively specific savings goals in mind. If your goals are too vague (e.g., "I want to save more money"), you leave yourself vulnerable to missing out on optimizing your saving habits. The best way to ensure you're on the right track is to use the S.M.A.R.T. method. "SMART" stands for specific, measurable, attainable, relevant, and timely goal-setting. In other words, you want to lay the groundwork for a plan that allows you to measure how well or poorly you're doing. Without this a SMART savings goal, it could be very difficult to analyze your spending and saving habits later.

4. Consider using cash for purchases

Although it's not for everyone, using cash for your purchases could be a smart move to help you avoid the temptation of buying unnecessary things. Cash is a tangible asset, and having to pull it out of your wallet and hand it to the cashier helps you visualize your cash outflow. This is a bit tougher to do with plastic since you don't physically see the money leave your wallet and enter the cash register.

However, I will say that putting your charges on plastic does allow for a simplified rundown of your spending during the month. In short, if you're not a compulsive buyer, buying with plastic may be for you.

5. Avoid temptation by using separate accounts

One of the biggest challenges consumers encounter when budgeting is avoiding unnecessary purchases. A reason for this is that most people have all of their money sitting in a single checking or savings account, which makes it seem as if they have plenty of cash to spend. If you have trouble controlling your spending habits, you may want to consider keeping money for each spending category (entertainment, food, and so on) in separate accounts, or even jars in your home. By separating money devoted to each budgeted category, you'll be more likely to stay under your monthly limit.

6. Analyze your data monthly

Setting SMART goals and tracking your spending habits is how you lay the foundation for perhaps the most important part of budgeting: your monthly review. Analyzing your spending habits for a few minutes each month can provide immediate feedback that allows you to tweak your budget to better optimize your ability to save. Remember, no matter how good budgeting software is, you ultimately remain in control of adjusting *your* budget to fit *your* needs and goals.

7. Think long term

Even though we're taught to create and analyze our budget on a monthly basis, it's important to think about things in a long-term perspective. Unexpected expenses do indeed pop up from time to time, and there's no sense in getting down on yourself if

your budget gets "popped" once in a while by a medical bill or car repair. If you take a big-picture look at your finances and have a fairly set long-term savings target in mind (e.g., "I want to set \$5,000 aside this year for my retirement account"), chances are you'll be more confident about your ability to hit your savings goals.

8. Have your savings deposited into a retirement account

Another great way to avoid the temptation of spending the money you've saved is to have it automatically deposited into a savings or investment account on a weekly, biweekly, or monthly basis. Investing early and often is the best way to take advantage of compounding so that you'll have plenty of money to sustain you throughout your golden years, so setting up a regular withdrawal with a company like **Capital One Investing** (formerly ShareBuilder), which allows you to pick stocks and ETFs to invest in, could be a smart consideration.

9. Don't forget about leisure

Lastly, and this might seem counterintuitive to what was discussed above, make sure you set aside money for entertainment and leisure. You work hard for your money and you deserve to treat yourself from time to time. This might include stopping at your favorite coffee stand to pick up a drink, hitting the movies or a local sporting event, or even taking a vacation. It's important that you have fun things to strive for on top of simply saving money as it'll keep you mentally healthy and happy

http://www.fool.com/investing/2016/05/29/9-tips-to-take-your-budget-to-the-next-level.aspx?source=yahoo-2&utm_campaign=article&utm_medium=feed&utm_source=yahoo-2&yptr=yahoo