

4 Mistakes That People Make When Budgeting Money

Now that a new year is here, one of your financial resolutions may be to develop a budget so you can stay on track with your finances. Everyone should have a budget, but this is especially important if you've been living paycheck to paycheck. Getting a budget in place is a good start. However, if you're not careful, you could end up busting your budget soon after you set it. Here are four things you should not do when developing a budget.

1. Not keeping track of spending



Before you set up your budget, you should track how much you spend for at least 30 days. That means everything from your monthly credit card bill to your morning cup of coffee. No purchase is too small to include in your budget. There are plenty of apps and online tools that can make the process easier. Two tools to consider are Mint and Buxfer.

2. Making your budget too restrictive

It is important that you set up a budget that is realistic and manageable. Keep in mind your expenses will likely change each month, so you'll need to leave some room for unexpected costs. For example, you may need to make an unforeseen trip to a doctor's office or purchase supplies for your child's school project. Also leave room for a few wants in addition to your needs. Depriving yourself will only make you desire to spend more.

3. Forgetting to include savings

You should include savings as part of your monthly budget. This will help you get a realistic view of your entire financial picture. Don't treat emergency savings as an afterthought. That emergency savings fund can be a real life saver when you need it most. If you don't think you have what it takes to diligently sock money away each pay period, arrange to have a certain amount of your check (preferably 10%) automatically transferred to your savings account.

4. Impulse spending

Spending on a whim will wreck your budget in no time. One way to stop yourself from making impulse buys is to unsubscribe from email lists for stores where you tend to spend a lot. This will help reduce the urge to splurge whenever you get a notice about a sale at your favorite clothing store or receive the latest coupon code. These emails make it very tempting to go to the website and make a purchase. Even if you just "browse" online, you're setting yourself up to give in to temptation. So do yourself a favor and click the "unsubscribe" button.

<http://www.cheatsheet.com/money-career/4-mistakes-that-people-make-when-budgeting-money.html?a=viewall>