

Biggest Budgeting Blunders

Does your budget never seem to balance the way it should? Are you constantly digging into the savings to make ends meet? If you find that your budget isn't doing the job, then it's time to take a good look at essential components you might be missing or you have not allowed sufficiently for. Some of the biggest budget blunders are...

1. Failure to plan for inevitable expenses

We all have irregular expenses that we naively refer to as "unexpected." Come on, is that flat tire really unexpected? Don't you secretly know that these things happen? Have you ever owned a car that did not need repairs or maintenance? If you have, you probably didn't own it long enough. The solution; Start counting on the car breaking down instead of hoping it doesn't! The car isn't the only area we slight in the budget. Do you find yourself hoping and praying that the hot water heater, washer, dryer, or some other major appliance doesn't need to be repaired or, worse yet, replaced. Home maintenance is always a factor in our finances. Even if you rent, you probably have some home related expenses waiting to creep up on you. These are just a couple examples of variable expenses that we often overlook. When you consider the following other categories that could be included in this list, you can see the serious consequences this oversight can have on your budget. . .

* **Property, Auto, Health and Life Insurance** if not paid on a monthly schedule. Even if you do pay monthly, you should try to save for a lump payment if at all possible. Most companies charge up to a \$3 fee for monthly payment options. It doesn't sound like a lot but, over a years time it's \$36 you won't be investing in their cause. I say, it's always best to invest in yourself. Don't you agree? Put the \$36 in your savings!

- If you know you will have to pay Uncle Sam, prepare for it. If you value your home or other property investment, prepare for the costs. Don't scramble at the last minute to come up with enough to pay your obligations. It's likely other areas of your budget will suffer greatly, since these expenses have a high priority.

* **Clothing** - Now, I can wear a piece of clothing 'til you can see through the threads. I work at home, so I only have a few choice pieces for special occasions. I'm a no frills kind of gal. But, I have four kids. Do I expect them to stop growing or somehow not care how they look to their peers? Of course not! But, I'm working on it. Just kidding! I know that they will need more clothes, more shoes, more accessories....etc., etc., etc., etc.... I use every resource available to me to cut down the clothing budget, I know I must account for this expense. It will arise, whether I am prepared or not!

* **School Supplies** - This is another one you just can't omit if you have kids. You can, however, use some clever money saving techniques and multiple resources to keep this expense to a minimum.

* **Pet Care** - If you have a pet, you most likely have expenses that come with this beloved family member. Vaccinations, flea control, veterinarian, and food are just a few that come to mind. Again, minimize the costs by using all your resources. Tip: My local county animal shelter gives rabies vaccines for \$5. Good for three years if regularly vaccinated. Does yours?

* **Gifts** - If your friends, family, and kids don't care if they don't get gifts from you, if you've declared war on the holidays, or have a convenient hiding place when these occasions take place, then you can skip this one! I'm guessing most of you are including this one. It's inevitable. My best advice is to set strict limits and be a smart

shopper. Seek out the bargains and buy when it's a deal, even if it's months ahead of time.

* **Medical** - Unless you're lucky enough, or not lucky (depending on how you look at it), to qualify for medical assistance, you undoubtedly have medical expenses over and above the cost of your health insurance; Co-pays for doctors and medicines, over-the-counter medications, dental and eye care expenses. Nope, can't omit it, have to include it. Sorry, it's a must have!

* **Vacation** - If you have the income, include this one to make planning less stressful. Get inventive if you don't have enough income. You can still have a vacation with limited, or no, travel expenses.

2. No Emergency Fund...

. . .or misconceptions about what warrants an emergency. An emergency in this case should be limited to an unexpected occurrence. No, if you've been listening, having to replace the water pump on your car is not an emergency. A real emergency might include; loss of income, severe illness, or death in the family. Although we all hope such occurrences never happen to us, sometimes we aren't lucky enough to escape these unfortunate events in life. You should try to set aside a specific amount, no matter how little, each month in an emergency fund to eventually equal at least three to six months of your current income.

3. Living Above Your Means.

This is simply spending more than you earn. Unfortunately, this is a direct consequence of budget blunders #1 and #2. When funds are not set aside for variable expenses and emergencies, you will inevitably turn to plastic money (credit cards) to bail out. Spending more than you earn is a sure sign that you're headed for trouble. When you spend future earnings it's like "counting your chickens before the eggs hatch." The long term consequences are usually devastating. It's likely you'll end up in deep debt and eventually have no where to turn except counseling or bankruptcy. Don't let it get that far. Take control of your money. Now!

If you've been making these budget blunders, you're probably exhausted just considering all the work you have to do on your budget. I'm exhausted just writing about it. The sooner you get started, the sooner you'll be on the path to a really successful budget. Add up all your variable expenses and divide by twelve to come up with a monthly amount that you should be setting aside for this expense. Keep these funds separate from your monthly bill fund to avoid dipping into it accidentally.

Start with 5-10% of your income to start a savings, or apply to an existing savings, each month for your emergency fund. Make sure your expenses are within your income. If not, start reviewing, eliminating, and reducing those expenses to fit into your income limits. A good budget is like a good friend. It helps keep you strong and steady.

by Cheryl Johnson

Author Bio: Cheryl Johnson is a mother of four helping herself and others become and remain debt free. Publisher of Simple Debt Free Living - a self-help plan, ideas, and resources for frugal and debt free living. Low cost gift ideas and a wide variety of other money saving tips.