

Why budget?

A budget is the most fundamental and most effective financial management tool available to anyone. It is extremely important to know how much money you have to spend, and where you are spending it. A budget is the first and most important step toward maximizing the power of your money.

What is a budget?

A budget is a money plan. With it, you can organize and control your financial resources, set and realize goals, and decide in advance how your money will work for you. A budget can be as simple as it is powerful. The basic idea behind budgeting is to save money up front for both known and unknown expenses.

Five benefits of budgeting

So what benefits, specifically, can you expect if you set up a budget? Naturally, the answer to this question will be different for everyone. But here are some of the most common benefits that people see when they start a budget:

1. Know what is going on. Personal budgeting allows you to know exactly how much money you have—even down to the penny, if you so desire. Furthermore, a budget is a self-education tool that shows you how your funds are allocated, how they are working for you, what your plans are for them, and how far along you are toward reaching your goals. "Knowledge is power," as the often quoted saying of George Eliot goes, and knowing about your money is the first step toward controlling it.

2. Control. A budget is the key to enabling you to take charge of your finances. With a budget, you have the tools to decide exactly what is going to happen to your hard-earned money—and when. You can be in control of your money, instead of having your money limit what you do. This bears repeating: you can be in control of your money, instead of letting it control you!

3. Organization. Even in its simplest form, a budget systematizes, or divides, funds into categories of expenditures and savings. Beyond that, however, budgets can provide further organization by automatically providing records of all your monetary transactions. They can also provide the foundation for a simple filing system to organize bills, receipts, and financial statements.

4. Take advantage of opportunities. Knowing the exact state of your personal monetary affairs, and being in control of them, will allow you to take advantage of opportunities that you might otherwise miss. Have you ever wondered if you could afford something? With a budget, you will never have to wonder again—you will know.

5. Extra money. This might well be everyone's favorite benefit. A budget will almost certainly produce extra money for you to do with as you wish. Hidden fees and lost interest paid to outsiders can be eliminated forever. Unnecessary expenditures, once identified, can be stripped out. Savings, even small ones, can be accumulated and made to work for you.