

Welcome to the SeaComm Federal Credit Union podcast. Your guide to financial information and what's going on at your credit union.

It's that time of year again, turn the page on the calendar as we head into a new year. It's a good time to think about how you may try to make things better financially in 2021. If you don't already have a budget that works for you, now is a good time to try to change that.

There are many ways to budget and you need to find the one that works for you.

A line-item budget is what you may think of as a "typical" budget. You can use Excel or some other spreadsheet that lists out each expense by category. The goal is to keep track of monthly expenditures so they don't exceed spending targets. You can list each expense, or category of expenses, over the month. As you progress throughout the year, you can compare current expenses to past expenses to make sure you're on track. Line item budgets are relatively easy to create, if not to follow, and they are a good way to track expenses.

Proportional budgeting is a system where you divide up your monthly income into categories, based on percentage, such as the 50/30/20 budget developed by Senator Elizabeth Warren. 50% goes to necessities, expenses you can't avoid like housing, food, transportation, basic utilities, insurance, minimum loan payments and child care or other expenses that need to be covered so you can work. 30% goes to wants like travel, entertainment, meals out and other fun things that you don't absolutely need. 20% goes to savings as in your emergency fund, retirement savings and paying off debt over and above minimum payments. This type of budget is simple and can help you save but may not be detailed enough to keep you in line.

Envelope budgeting is something your grandparents or great grandparents may have done. It involves pools of money kept in separate envelopes for each budget category. You put cash in each envelope and only spend it for what it is intended for. Research shows that people tend to spend less money when using cash because you can't spend more than you have. But, this type of budget is cumbersome and it does involve a lot of effort and carrying cash.

In a zero sum budget, you assign a specific purpose to each dollar that you earn, whether it's for savings or discretionary spending or expenses. To create a zero-sum budget, start with your monthly after-tax income. Next, assign dollars to each of your essential expenses like rent, insurance, student loan payments, and groceries. From there, see how much money you have left behind for both extra spending and saving. This type of budget makes you think about every dollar but it requires a lot more work to maintain.

Whatever type of budget you decide on, you should always pay yourself first, meaning setting savings goals. You also need to be realistic, flexible and to keep things as simple as possible, like setting up automatic payments on bills. Remember, what is automated gets done.

Budgeting resources can be found on the SeaComm website, go to the resources tab and click on tools and good luck!

That's it for this edition of the SeaComm Federal Credit Union podcast. Thanks for joining us!