Transcript

Steps To Better Money Management

There's a misconception that to be good with money, you need a lot of it. Not true. What you need to be "good" with money is every day management.

Whether you're planning for yourself or for your whole family, there are three basic steps you can take to make the most of your money:

One: create a budget.
Two: set savings goals.
And three: tackle your debts.

When put into practice, these steps can have a big impact not only on your monthly budget but on your overall financial future.

One of the first steps to better money management is to create a budget and stick to it. This might sound simple, but you'd be surprised how few people actually do it.

You can think of your budget as your guide to reaching your financial and personal goals.

If you have trouble covering all your expenses each month, a budget can help you avoid overspending. That's because your budget can help you see and understand exactly where your money is going…

And whether or not your spending is in line with your personal goals.

The next step is to set savings goals. With your budget in place, building your savings will be that much easier because you'll know how much extra money you have each month to allot to your goals.

One of the best savings goals to start with is an emergency fund. Building up an emergency fund to help cover unexpected expenses like a sudden medical bill, major home or car repair, or even a job loss can help you avoid going into debt when life throws you a curve ball—which it will. Instead of borrowing money to cover these emergencies, you'll already have the money saved up and this could end up saving you a lot more money in the long run,

Start by building up three months worth of expenses as a goal.

Once you've established an Emergency Fund, and are living within your budget, you can then figure out some long-term savings goals. Whether you decide to plan for your retirement, or save for a home improvement, college or even a well-deserved vacation, you'll be better able to set aside some money — and have a timeline — for reaching your goals

The third step is to tackle any debts you have.

First, as you're working to pay them down, you'll probably want to stop adding to the debts you already have. The less debt you have, the easier it'll be to get out from under it.

It could also be helpful to know what your debt is costing you each month. Once you know how much your debt costs, you can create a plan that helps you reduce it and eventually pay it off. The sooner you get started, the more money you can save.

It's worth noting that managing your debt and your savings go hand in hand. For instance, if you have a debt with a very high interest rate, it may make sense to focus on paying it down at the same time, or even before you build your entire emergency fund.

As you make a plan to tackle your debt, setting target goals can help you stay on track as you actually see and feel the progress you're making.

These three steps are the basic components of money management. And it's easy to see how they can work together.

By keeping a budget, you'll know what you have available to accomplish your savings goals and tackle your debts. Having an emergency fund can help you avoid adding any new debt. And occasionally checking in – reviewing your budget from time to time, can help you set long-term savings goals – like a down-payment on a home – as your priorities and circumstances change.

Now that you have an understanding of the basics, why not take the next step? Being smarter with your money- learning new tips and techniques- can help you today and down the road.