Forbes

3 BUDGETING TIPS FOR AN UNCERTAIN FUTURE

By: E. Napoletano - March 14, 2022

Budgets are flexible tools that can help keep you on track for almost any financial goal. But how should you adjust your budget when the world becomes uncertain?

"With the world repeatedly dropping surprise and horror upon our doorsteps over the last few years, people are understandably feeling less and less secure," says Ryan Cicchelli, founder of Generations Insurance & Financial Services. "This growing uncertainty breeds fear in the populace, which can lead to poor decision-making and compound our problems."

If you feel the squeeze from the world-at-large and are worried about your finances—not to mention concerned you're not making the right moves—here are some tips from financial experts to help you wisely budget for the unknown.

Go Back to the Basics

Here's the thing about the future: it's always uncertain. That's why uncertain times are the ideal time to get back to the basics with your budget, bills and basic financial tracking.

"These sound like boring answers to the heavy question of financial security during scary times," says Howard Dvorkin, CPA and chairman of Debt.com, "but too many people overreact and take big risks instead of checking first to see if they've done all the basics."

Do You Have a Budget?

A budget is perhaps the single most important tool you'll have throughout every economic up and down. With it, you have the power to set goals, fund those goals and track your spending. Without one, you leave your goals to chance.

"If you don't keep a detailed budget using apps like Mint or YNAB, spreadsheets from Tiller or Quicken, or even free tools like your bank's website, you're not taking full advantage of tech that's literally at your fingertips," Dvorkin says.

Action item: Get started on a new budget or revamp the one you have using these proven budgeting methods. If you want to put technology to work on your budget, these budgeting apps can help, too.

Are You Automating Your Bill Payments?

One of the best ways to protect yourself from an uncertain future is to protect your credit. That's why it's important to keep your bill and loan payments on time and avoid late fees by automating your bill payments. On-time payments keep your credit report in tip-top shape, demonstrating that you're a responsible borrower who takes their payment obligations seriously.

It only takes a few minutes to set up automatic payments, whether through your bank or directly through your loan or credit card companies. Some credit cards even have a feature where you can set up automatic minimum monthly payments in case you forget to make a larger payment—an added bonus to help protect your credit, avoid denting your budget with late fees and cut interest costs.

As a note, setting up automated payments could subject you to overdraft fees if you don't have enough money in your account to cover scheduled payments. To help avoid overdrawing your account, consider setting up automated payments on or the day after your regular direct deposit.

Action item: Review all of your credit cards, utilities and loan payments and set up at least the minimum monthly payment for all your accounts.

Do You Use Everything You Pay for?

No one wants to live less just to spend less. So how can you cut expenses and keep a lively lifestyle when inflation and a more volatile stock market leave you feeling out of control? Believe it or not, there's a simple way to cut expenses in your budget.

According to a late 2021 report from West Monroe, Americans spend roughly $273 per month on subscriptions. This figure increased from $237 in 2018, translating to Americans spending a whopping $430 more per year. But the report also found that 100 percent of survey respondents were unaware of how much they spent per month on subscriptions.

Action item: Review your bank and credit card statements for all your subscriptions. Consider which ones you truly use and need, then cancel the rest. If you're drowning in streaming subscriptions, this guide can help you get costs under control.

Keep Saving

If the events over the past two-plus years have taught people anything, it's that savings can save the day.

How's Your Emergency Fund?

If you lost your job or income during the pandemic, you know firsthand the importance of emergency savings. If you don't have an emergency fund or don't feel comfortable with the amount you have saved, now's the time to revisit your savings.

"Experts say a minimum of three months of living expenses should be the minimum goal," says Kari Lorz, a Certified Financial Education Instructor® and founder of Money for the Mamas. "Yet with the economy as it is, many families feel a lot more comfortable and safe with six to nine months of expenses tucked away."

Action item: Check how much you've in your emergency fund and determine if you'd feel more comfortable with more money in that account (and make sure you're earning the best interest rate on those savings). If money is already tight and you need more in your emergency fund, consider the tips below under "Get Creative (Not Crazy) With Your Budget."

Are You Taking Full Advantage of Your Employer's Retirement Plan?

With rising inflation and a volatile stock market, you might consider skipping your retirement savings and using those funds to cushion rising prices. However, retirement savings is one area where you don't want to skimp during an uncertain economy—especially with your employer's retirement plan.

"If your employer offers matching contributions, failing to contribute up to the match amount is essentially leaving free money on the table, says Michelle Riiska, a chartered financial consultant at Fidelity's eMoney Advisor. For example, if your employer offers a 3% match and you only contribute 2% of your salary each payday, you're missing out on 1% of your employer's match.

Action item: Review your employer's retirement plan documentation to confirm whether a match is offered and if you're contributing enough to get the full match. If you need to up your contribution, your Human Resources department can help you navigate how to increase your per-paycheck contribution.

Are You Saving for Your Kids' Education?

It's natural to want to free up money in your budget during uncertain times, but experts caution against cutting your educational savings—especially if your children are young.

"Contributing to 529 plans for college now while children are young can help offset the cost of tuition in a tax-effective manner down the road," says Riiska.

By saving for educational expenses now, you're giving those funds the longest possible time to grow. You're also helping to protect your retirement savings so you don't tap those funds to pay for educational expenses, which can jeopardize your retirement goals.

Action item: Make sure you're leaving room in your budget for educational savings each month—even a little can go a long way. If you need to run the numbers to help adjust your budget, this handy online calculator can help.

Get Creative (Not Crazy) With Your Budget

When you've shored up the basics of your budget and made sure that you're paying yourself first through your savings efforts, you may still want to cut more costs to help you feel more financially secure.

While your first instinct might be to go crazy and slash luxuries like family vacations and entertainment spending, experts suggest that creative solutions can help you thrive during uncertain times.

Can You Increase Your Income?

Adding extra income each month can help you keep your savings goals on track and give you some much-needed financial breathing room with inflation on the rise. James Lambridis, founder and CEO of DebtMD, says that today's sharing economy offers plenty of opportunities to up your income.

"You can drive Uber or Lyft at your own convenience, walk someone's dog for cash using the Wag! App or even get paid to do freelance work on Fiverr or Upwork," he says.

Of course, you'll have to spend extra time to earn extra money. If you choose to dive into the gig economy to boost your income, consider whether the money you earn is worth the time you spend making it to avoid running yourself ragged.

Action item: Explore sharing economy apps for those that fit your interests, schedule and lifestyle to increase your income, which can be a boon for your savings goals. If a gig job is your primary source of income, here's how to build a budget when you have variable income.

Are You Using Apps to Boost Your Savings When You Shop?

Wouldn't it be great to earn money while spending money at the grocery store? You can—and there are apps to help you do just that. Kari Lorz of Money for the Mamas, recommends using apps to get cash back at grocery and big box stores.

"Think ibotta, Fetch, ReceiptPal and Coupon Cabin to help you offset the costs of inflation," she says. "I save up all my points and rewards during the year and use this money to buy our Thanksgiving dinner items and holiday baking supplies."

While your savings will vary based on buying items that currently have offers in the apps of your choice, getting paid for buying things you'd ordinarily buy has little downside since the apps mentioned above are free.

Action item: Check out some of the most popular online money-saving browser extensions to help you save while shopping online. Then, find the money-saving apps that will help you recoup rewards while you grocery shop and enjoy the cash back.

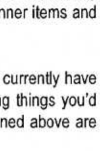
Are You Saving With Bulk Purchases?

Warehouse stores like Costco and Sam's Club can be a steal—if you can make use of the large quantities typically sold by those stores. If a warehouse store membership (currently $60/year for Costco and $45/year for Sam's Club) doesn't make sense for your smaller household, Riiska of eMoney Advisor recommends thinking beyond your household to take advantage of bulk buy savings.

"If you have a close family member, friend or neighbor who is also interested in saving, consider sharing a [warehouse store] membership and splitting the cost of the larger quantity items," she says. "By doing so, both parties can take advantage of the lower price but not find themselves with an overflowing pantry."

Action item: Look for key items at warehouse stores that you can split among multiple households and form small groups to split both membership and items costs. Be sure to do the year-long match on the membership price to make sure the bulk savings makes sense over the regular price at grocery and big-box retailers.

Ryan Cicchelli, founder of Generations Insurance & Financial Services, is committed to providing clients with financial security though a personalized, friendly approach. Ryan's top concern is helping clients make informed decisions about all things related to healthcare and retirement.



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