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A Household Spending Plan You Can Actually Stick To

There's a reason why so many people don't bother to put a household spending plan in place, or when they do, they struggle to follow it: because people generally don't like to be told how to spend their money, regardless of how they might benefit from a structured approach to managing their household finances.

A poll conducted several years ago by Gallup found that only about one-third of Americans prepare a detailed budget, or spending plan, that tracks their income and expenses. However, for the minority of people who find a way to implement and maintain such a plan, there are both tangible and intangible rewards for doing so, from harnessing the financial power to fulfill your goals and getting clarity about where your money is going, to getting out from under debt and gaining the peace of mind that comes with getting a better handle on your finances.

"Having some type of spending plan helps avoid or relieve a lot of financial stress," explains Amy Jo Lauber, a Certified Financial Planner™ who heads Lauber Financial Planning in West Seneca, NY.

How, then, to build a plan with staying power? Here are 12 suggestions for implementing a spending plan you can actually stick to:

- Find an approach that works for you. Some people use a spreadsheet and good old-fashioned self-discipline. Some use actual envelopes containing cash earmarked for specific purposes, so once the money in an envelope is gone, it's gone. Others use online budgeting tools. It may take trying a method or two to find an approach that suits you. "There's no right or wrong way," says Lauber. "It's about finding what works for you. And that may involve some trial-and-error."
- Set your sights on the benefits. Part of laying the groundwork for a spending plan is getting clear about why you're undertaking this in the first place—the "What's in it for me?" Write down the reasons you're embarking on a spending plan and the benefits you hope to realize by following the plan, both short- and long-term. "If you really want to keep dining out, for example, build that into the plan," suggests Lauber. "By doing that, you won't feel deprived of something that means a lot to you. That gives you a better chance of sticking with the plan."
- Get a handle on where your money goes. Track monthly expenses, including the "hard" expenses for things like food, clothing, healthcare, housing, and transportation, along with expenses for discretionary items like travel, hobbies, and dining out.

- Take stock of your income&the other side of the ledger. Add up how much money you have coming in, from which sources, including what you and others in your household are earning from a job, along with income from other sources, such as rental property and investments.
- Connect your spending habits with your goals and priorities. Want to save for an expenditure such as a big trip, a new car, or a home? Looking to increase the amount you're setting aside for retirement? Want to pay down your credit card debt or your mortgage more aggressively? With a clear idea of your goals and your priorities, and of your hard expenses and your income, you now have the means to start allocating your money to specific line items, starting with hard expenses, and then moving to other priorities.
- Build your spending plan around your pay schedule, so if you get paid biweekly, your spending plan functions in two-week cycles. This tends to simplify the process.
- Get on the same page with your spouse/partner. A spending plan is doomed to fail unless the people who fund the plan are committed to following it. So before you put a plan in place, be sure to discuss details of it jointly. If you need help finding common ground, or assistance structuring the plan, enlist a financial professional.
- Build flexibility into your spending plan. For your plan to succeed, it's important to expect the unexpected. A survey conducted a couple years ago by American Express found that almost half of all Americans were confronted by unforeseen expenses in the past year, including car-related and healthcare expenses, household-related repairs, etc. So insert a line item in your spending plan to fund what Lauber dubs a "financial stress reduction account"—a savings account with readily accessible funds to cover an unexpected expense or to provide short-term income in case of a lost job.
- Lean on online tools. No need to reinvent the wheel when it comes to tracking your expenses and income. Apps available at sites like Mint.com, GreenSherpa.com, and Mvelopes.com provide a ready-made framework to make managing a spending plan easy. Also, take advantage of platforms that allow you to set up automatic bill payments, retirement account contributions, etc. This eliminates the possibility of forgetting to pay a bill and removes the temptation to skip a retirement plan contribution.
- Refresh your memory every so often. Remember that list of the reasons you committed to a spending plan in the first place and the benefits you expect to realize by doing so? Keep that list accessible so you can refer to it later if you feel your commitment wavering.
- Revisit your spending plan at least annually, and when there is a significant change in life circumstances, such as the arrival of a child or the purchase of a home.
- Give yourself a chance to acclimate. "It does take a while to adjust to the new system," says Certified Financial Planner™ Jamie A. Bosse of KHC Wealth Management in Overland Park, KS, "so be patient with yourself and give yourself time to adapt."