

MOOREINSIGHTS

Why Your Budget May Not Be Working – And How to Fix It

Budgets are tough. You make them with the best of intentions, listing your expenses and setting spending limits for each category. But then life happens, and you go over those limits more than you'd like.

You're not alone – not by a long shot. Budgeters miss their targets all the time, and the reasons are more fixable than you might think. Stay away from these five budget-killers, and start next month on the right track.

1. Lack of Clarity

If your budget categories are too broad or poorly defined, you may struggle to organize and record expenses. Without accurate records, it's challenging to know whether you're staying within your budget and how to adjust it if you're not.

The Solution: Define Specific Categories and Goals

Sort your expenses into logical groupings, such as utilities, groceries, clothing, and transportation. Be equally specific with discretionary expenses, including vacations and dining out. Set a goal for each category and track your progress.

2. Unrealistic Expectations

Stringent guidelines often lead to overspending, creating a snowball effect. Once you've overshot your unfeasible \$100 food budget for the month, it feels too easy to keep spending – and not only in that category.

The Solution: Add a Cushion

Build your budget with flexibility in mind. Use realistic baseline numbers, drawing from your spending records if possible. Add a bit extra for unexpected expenses and the occasional splurge, as your income allows.

3. Accumulating Debt

It's easy to list debt as a lower priority in your budget, especially when the minimum payments are affordable. Unfortunately, interest will continue to accrue until you pay down those balances. Accumulating interest can push your minimum payments up and cause your budget to fail.

The Solution: Prioritize High-Interest Debt

Instead of budgeting for debt last, put it first after necessities. Calculate how much remains, then allocate as much as possible toward paying off the account with the highest interest rate.

4. Cash Flow Problems

Budgets need to reflect real-life financial behavior. Someone's budget may say they have \$500 left at the end of the month, but that \$500 doesn't exist if they've exceeded five budget categories by \$100 each.

The Solution: Track Daily Expenses

To get an accurate picture of where your money is going, you need to record every expense. Document your spending as it happens, then transfer it to your monthly budget. Or, you can use a budgeting app that connects to your bank account and integrates your spending.

5. Failure to Track and Adjust

A budget is more likely to fail if it doesn't reflect real spending habits. If you repeatedly exceed your limit in a particular category, don't fall into shame. Find out why.

The Solution: Review Your Budget Regularly

Set aside time each month to review your budget based on your spending behaviors. Adjust your goals accordingly, ensuring you do not exceed your income.

Make Your Budget Work for You

A budget should serve you, not the other way around. If you treat it like a rigid rule book or a strict financial boss, you're bound to want to rebel.

Instead, set yourself up for success. Make a realistic budget that meets your needs and adapts when things change. You'll be surprised at how much easier it will be.

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