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FIVE MISTAKES THAT CAN BUST YOUR BUDGET

BRENTWOOD, Tenn. – Making - and sticking to - a household budget can help you conserve cash and limit your credit needs in tough economic times. There are some traps, however, that can bust your budget quickly, despite your best intentions. The Tennessee Society of CPAs offers advice to avoid making these mistakes.

MISTAKE #1: NOT HAVING A BUDGET

When you create a budget, you add up the amount of net salary and other money you expect to receive during the month and then total what you need to spend on necessities, such as rent or mortgage, food, transportation, savings and other costs. Once you subtract your expenses from your income, you can save or spend whatever remains however you like. Just remember not to spend more than is left. If you do, you'll have to borrow from next month's budget to cover the overage, setting you back in the future.

MISTAKE #2: OVERUSING YOUR DEBIT OR CREDIT CARDS

One quick way to outspend your budget is to whip out your debit or charge card when you want to buy something you really can't afford. If you can't resist the temptation to use these cards, leave them at home and resolve to use cash only for your purchases. That will force you to live within your means. Once you've used this approach for a month, it will be easier to make a habit of it.

MISTAKE #3: NEGLECTING YOUR RAINY DAY FUNDS

Even if you are living on a tight budget, it's always a good idea to set aside as much as possible in a special savings account that provides a financial safety net. You'll be happy you

have this cushion if you face a large, unexpected expense or if you lose your job. After your savings have grown a bit, you can dip into the account for special indulgences or luxury items. The best way to succeed with your savings account is by committing to make regular payments over time. You don't have to save a lot each week, but make sure you stick to your plan.

MISTAKE #4: IGNORING THE SMALL THINGS

How much does your morning cappuccino cost? Do you buy a bottle of water when you go to the gym? Do you purchase your lunch every day at work? These are costly and unnecessary expenditures. Because they are not regular monthly costs - like an auto loan, for example - you may forget to include them when adding up your expenses. However, these little items can drain cash quickly. As you go through your day, try to make a note of all your small expenditures and consider how they could be avoided. This may include bringing your lunch or setting aside time to shop for a week's worth of homemade dinners in advance. You will notice an immediate improvement in your budget.

MISTAKE #5: STAMPING OUT FUN

It's true that renting a movie is cheaper than going to a theater and eating at home is less expensive than a restaurant. But be careful not to outlaw outings and entertainment altogether. If you do, you can make yourself so miserable that you give up on your good budget habits completely. Instead, stick to your thrifty intentions most of the time, but be sure to try to plan for some special outings or purchases when possible.

About Money Management

Money Management is a weekly column on personal finance prepared and distributed by the Tennessee Society of Certified Public Accountants (TSCPA) as a part of its financial literacy initiative.

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