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FOR IMMEDIATE RELEASE

Monday, July 25, 2016

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Don't Have a Budget? You Are Wasting Your Hard-Earned Money

About one-third of Americans prepare a detailed household budget each month, according to a Gallup survey. If you're not one of them, it's never too late to start. Getting up to speed with your budgeting allows you to see where you stand so far in 2016 and to make solid financial plans for the rest of the year. The Tennessee Society of CPAs answers five questions that explain why budgeting matters and how to get started on the right foot.

What's the Point?

You wouldn't leave the house without knowing which direction you were going - and why you wanted to get there. When you sit down to review your finances, think of your budget as a roadmap that will pinpoint where you are now and make it easier to get where you want to be.

What Good Will It Do?

Budgeting has one immediate benefit: It will help you avoid spending more than you earn and running up unnecessary debt. But there are long-term advantages, as well, because living within your means - and saving for the future - can make it easier to reach your financial goals. Budgeting allows you to set up a savings plan you can stick to. You'll also know how much you have to spend, so you can enjoy your money without worrying about overspending.

What Are My Goals?

That's an important question to ask. Are you trying to pay off outstanding debt? Save for a short-term goal, such as a dream vacation or a new car? Or set aside money for something bigger, like a down payment on a house or your kids' college education? No matter what your goals are, a budget can help you chart the course that's most likely to help you achieve them.

What Should a Budget Include?

The numbers in your budget should be as realistic and up to date as possible. When you calculate how much income you'll have in a given month, be sure to use the amount of your take-home, after-tax pay - the money that actually ends up in your pocket after your paycheck withholdings. To determine your expenses, don't just estimate what you think you'll need. Review a few months' worth of bills from regular expenses - mortgage or rent, gas and electric, phone, car payments - and include them in your budget, as well as an amount for spending money that will cover groceries and other daily or weekly costs. Don't forget costs that you may pay quarterly or less frequently, such as homeowners' or renters' insurance, car insurance or property taxes. Once you subtract your costs from your income, you'll know what you have left for savings and other spending.

How Should I Get Started?

You're more likely to stick with your budget if you come up with some reasonable ways to start changing your spending habits. For example, you could make a plan to lower your grocery bill or entertainment spending by 10 percent. Having more money to put towards your goals should make up for whatever indulgences you miss.

Your Local CPA Can Help

The Gallup survey also found that only 30 percent of Americans have a long-term financial plan that maps out their savings and investment goals. To get a better handle on your current and future financial outlook, be sure to consult your local CPA. He or she can offer expert advice on all your financial questions.

About Money Management

Money Management is a column on personal finance that is a joint effort of the AICPA and the Tennessee Society of CPAs, as part of the profession's nationwide 360 Degrees of Financial Literacy program. Members of TSCPA are CPAs residing and practicing primarily in Tennessee in all areas of public accounting, education, government, business and industry. TSCPA offers a speakers bureau for many types of business and educational engagements. For details, visit www.tscpa.com. TSCPA is headquartered in Brentwood, Tenn.