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A well-designed budget can be the difference between living from paycheck to paycheck and building a substantial savings cushion, and there are lots of ways to create a budget that works for you.

Budgeting is the process of creating a plan for how you will spend and save your money. It's an important part of financial wellness because it helps you track spending, identify potential problem areas, build your emergency savings fund, and achieve your long-term financial goals. With the budget, it's easier to create lasting habits that help you save money. The first step in writing a budget is to make a list of your financial goals. Include short-term goals like paying off debt, buying a car, or going on vacation. Plus long-term goals like buying a house, funding an education, or saving for retirement. Having concrete objectives will help you stay motivated to save. Next, review your income or the amount of money you make each month, and your expenses are the amount of money you spend each month together. These make up your monthly cash flow. Expenses usually fall into one of two groups.

The first is fixed expenses like mortgage or rent, payments, insurance, utilities, tuition, and other recurring costs that stay mostly the same from month to month. The second is variable expenses, things that change from month to month, like food, entertainment, clothing, and gas. People usually have more control over their variable expenses than their fixed expenses and can decide which expenses are essential and which could be eliminated or reduced. To get the most accurate picture of your monthly cashflow, use tools like budgeting apps, web services, or spreadsheets. Many banks now include built-in budgeting tools as part of their mobile apps. Often these apps link directly to your bank account and automatically categorize your spending so you can see where your money is going. But you can also use a pencil and paper. One common approach to budgeting is the 50, 30, 20 method. This rule recommends allotting 50% of your monthly income to spending needs, 30% to wants and 20% to savings.

If you can't save 20% right now, start with what you can save. Then look for ways to make gradual and consistent increases. To track your progress, review your budget at least once a month and adjust as needed whenever there are changes in your financial situation. If you don't already have an emergency savings fund, budget this as a top priority. An emergency savings fund is a lump sum of cash set aside to cover. Unexpected expenses are financial emergencies. Depending on your age, job, security, and income, you will want to save between three and 12 months of expenses. Once you meet this goal, pick your next goal and keep saving. Budgeting and saving are lifelong habits, but no matter what your savings goals are, the best budget is one you'll follow consistently. If you want help deciding how to save or how much, call captrust, our financial advisors can help you understand your monthly cash flow, emergency savings needs and budget goals.