



Budget—It’s Not a Bad Word

With the start of a new year, it’s time to take stock of your spending habits and create a budget. Seeing the numbers in front of you can help you understand your financial situation and figure out where you can economize.

Millennials face some unique financial stressors that are quite different from those that previous generations encountered. The fallout from the Great Recession, high student loan debt, and chronic underemployment all cloud the financial futures of many millennials. Budgeting can help you take control of your spending and brighten your future.

Budgeting is a necessity. Many millennials don’t have enough money to comfortably pay their bills each month. More than half of millennials must rely on credit cards to pay for basics like food and utilities, and more than a quarter are dealing with late payments or collection agencies.¹ Budgeting makes a huge difference in your spending habits, and it’s simple (and even fun!) to do.

Apps make budgeting simple. You can choose from several different apps that help you create, track, and analyze your budget. Some apps will allow you to link your account to your credit and debit cards for automatic expense tracking. Look for one that provides reminders for when your bills are due to help you avoid late fees. There are many apps out there, so find the one that provides a simple way to track your income, expenses, and budget throughout the month.

Budgeting helps you reach your financial goals. A lot of people have an OMG moment when they create a budget for the first time. It’s only when they see their spending habits displayed right in front of them that they fully recognize where all the money goes. This is an important first step toward taking control of your spending so that it aligns with your financial goals.

Understand where you are over (and under) spending. A quick glance at your spending patterns over the last two months will quickly reveal where you are spending more than you thought you were. But also consider where you are possibly underspending. Are you putting money away for an emergency? What about saving for retirement? Your new budget should reflect your short- and long-term goals, and offer you a chance to control your spending accordingly.

Budgeting encourages sustainable spending habits. As many millennials can attest, looking at your bank account at the end of the first month in which you practice budgeting can be enormously satisfying. This moment is only a springboard for creating a holistic long-term financial plan. Careful planning means more money in your wallet and in your future.

This material was prepared by LPL Financial.

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