



# A BUDGET BY ANY OTHER NAME...

A budget may go by several names, such as a spending plan or financial blueprint. Yet, what you call it isn't important. What is important is that you have one. A budget provides a frame of reference and serves as a guideline for making sure your money is working as hard as it can for you. Without it, you're making important financial decisions in a vacuum.

## Keep It Positive

The main purpose of a spending plan is to help you maintain a positive cash flow, which means spending less than you earn. When your cash flow is positive, you have money left over after paying your bills. What you do with those extra dollars can make a big difference, both in the short term and later on. Ideally, you'll use the money to build financial security by creating an emergency fund and saving for your future. You may have several financial goals, such as saving for a house down payment, college, and retirement. Even with multiple goals, you should make sure you continue adding to your retirement savings throughout your working years.

## Treasure Hunt

So what should you do if you want to take a vacation in a couple of years or upgrade that old couch in your living room? If you'd like to add a splurge to your budget, you can -- as long as you cut back on spending in other places to make up the difference.

You may not be able to do much to reduce your fixed expenses (e.g., rent or mortgage, insurance). But discretionary expenses are a different story. You might be surprised at how much you can save by cutting back on small purchases, such as buying coffee and bagels on the way to work every day.

Cutting Out Some Extras	
Investment value after:	
5 years	\$4,535
10 years	\$10,652
15 years	\$18,903
20 years	\$30,033
30 years	\$65,293
40 years	\$129,447

Source: DST Retirement Solutions, LLC, an SS&C company. This is a hypothetical example used for illustrative purposes only. It assumes a monthly investment of \$65, an average annual total return of 6%, and monthly compounding. It does not represent the result of any particular investment. Your results will be different.

Going through your spending plan may reveal other ways you can make progress toward your financial goals. For example, instead of being in a hurry to replace the car you just paid off, think about waiting a couple of years. Saving the equivalent of two years' worth of car payments and adding that money to your retirement account could give your nest egg a nice boost. As for that vacation you want to take, think about going off season to take advantage of lower rates. If you set the extra money aside, you might have more to spend on vacations when you retire.

### Waiting Two Years to Replace Your Car

Investment value after:	
5 years	\$9,100
10 years	\$12,274
15 years	\$16,556
20 years	\$22,331
30 years	\$40,629
40 years	\$73,921

Source: DST Retirement Solutions, LLC, an SS&C company. This is a hypothetical example used for illustrative purposes only. It assumes a monthly investment of \$299 for 24 months, an average annual total return of 6%, and monthly compounding. After the 24 months, the balance continues to be invested, earning an average annual total return of 6%, compounded monthly. This example does not represent the result of any particular investment. Your results will be different.

### Taking Your Vacation Off Season

Investment value after:	
5 years	\$1,619
10 years	\$2,183
15 years	\$2,945
20 years	\$3,972
30 years	\$7,227
40 years	\$13,149

Source: DST Retirement Solutions, LLC, an SS&C company. This is a hypothetical example used for illustrative purposes only. It assumes a one-time investment of \$1,200, an average annual total return of 6%, and monthly compounding. It does not represent the result of any particular investment. Your results will be different.

## Saved by Your Budget

Using a budget encourages you to pay attention to your cash flow. You'll know when you're in negative territory spending more than you earn, and you'll be able to take steps to correct the situation.

A prolonged pattern of overspending can land you in debt. Instead of using your money to help build financial security, you'll have to use it to pay down the amounts you owe, plus interest. You could be forced to put your financial goals on hold until you're debt free. That might be the best example yet of why you need a spending plan and how it can help you keep your finances on track, splurges and all.

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