

Be a Squirrel: Budgeting Tips from Our Bushy-Tailed Friends



Budgeting Tips from Your Mother

This weekend was the big day: Mother's Day. The day all moms look forward to as their annual chance to live like queens... or the day they don't have to do quite as many household chores. Let's be realistic, that's probably what happened.

Mother's Day advertisers would have you believe that it's a day to go all out to pamper your mom. Sure, I bet she'd love something other than the pair of pajamas or a piece of macaroni flower art she got, but you don't have to blow your budget to get your mom a great gift.

Now Dear....

Can you hear the voice of your mother when I say the word "budget"? For many, that word conjures images of coupon clipping, homemade coffee, dollar menus, and dollar store gifts. "Now dear, don't spend all of your money in one place!" "Oh dear, you don't have to get me anything for Mother's Day. A card is enough." "Now dear, be sure to save your pennies."

Aside from the fact that we don't have pennies, let alone save them, anymore, your mom probably gave you some pretty solid budgeting advice. It essentially amounts to this: be a squirrel. Short of living in trees and fearing dogs and traffic, I suggest you go with these squirrely ideas:

- *Know your cash flow and your fixed and variable expenses.*
How many nut trees do you have in your neighbourhood? How many nuts do you need for a month? How many hours will you have to spend collecting those nuts to survive the winter? Do you have enough to cover you today and through the year?
- *Save away for times of emergency/leanness.*
Gather as many nuts as you can afford to save and put them away – perhaps in a savings account or investment with a better return than that spot under bush number 3 on the corner. December may be a long, cold month and you may not have as many nuts available – its important to know you have a few squirreled away for such occasions.
- *Don't overspend.*
Sure you may want to exchange a few nuts with Larry in tree number 6 around the block for a sweet new piece of flannel for your nest, but is that practical? Is that flannel a want or a need? Don't listen to Larry before checking in with the budgeting tips above. If you eat all of your nuts in one month, how will you survive the next month if the neighbour puts up a fence, cuts down your tree, and has a bonfire?

Budgeting Tips for our Human Friends

As we can see from our squirrel friends, budgeting is important because it allows us to cover our needs first – our fixed expenses -- and our wants – our variable expenses – thereafter. Budgeting involves understanding the daily picture of your life and planning for the bigger picture of your future.

To help us understand, let's look at the Mother's Day example – a gift for your mother may seem like a need (remember that sideways glance she gave you), but it is actually a variable expense. So, how do you know how much to budget for this expense? Assess your cash flow, determine how much is left over after covering your fixed expenses (think mortgage, insurance, and utilities) and high priority variable expenses (think groceries, car repairs, and medical bills). Although a Mother's Day gift is important, it shouldn't cause you to dip into the income you need for other expenses.

Squirreling Away Your Nuts

Budgeting may seem daunting, but if a squirrel can do it, so can you. These tips can help guide you toward being the bright-eyed and bushy-tailed budgeter your mom always knew you could be!

1. Do a Life Events Planner to assess your current and future situation.

This service is offered at PenFinancial and it is a great way to assess your cash flow and see where you may be over (or under!) spending. It can help you reduce your daily expenses (fixed and variable). For example, you may review your utility bills or your service fees to find places to cut back, you may look at free options for entertainment to reduce daily expenses, etc.

2. Pay yourself first in the form of savings.

When your income comes in, part of it should go directly out of your hands to land squarely in your savings. To make this easier, consider setting up a PAC to contribute early and regularly to a TFSA or to your RRSPs (or another savings strategy that maximizes your return).

3. Plan for the unexpected.

There are many ways to plan for the unexpected, but the two I advise are: build your emergency savings and keep your costs of living manageable. For example, you may buy a home that seems to be within your means today, but what happens if mortgage rates rise or you need unexpected repairs? When you buy your home, consider the monthly mortgage costs, property taxes, and projected utilities, and whether they would be affordable if your income changed. If you aren't sure they would be, consider a less expensive home to ensure you have enough income to keep your costs of living manageable while having enough to contribute to an emergency savings fund.

4. Pay down the highest interest debt first.

If you have multiple credit card debts, pay down one at a time (start with the card with the highest interest rate first) and then move on to paying down lines of credit and loans with lower interest rates. This strategy will increase your monthly cash flow.

5. Try a frugal week.

For one week a month, don't spend any money (for the entire week!). Make sure you have gas in the car, food in the fridge, and outstanding bills paid before this week to make it realistic. During that week, make your own tea/coffee, explore free entertainment options (Niagara is full of them!), bring your lunch to work, etc. This week will help you become aware of your spending habits and help you save money. It isn't glamorous, but it is practical and it works!

Still unsure of how to make the most of your cash flow potential? Confused about how to budget for your lifestyle? Check out [these tips from PenFinancial](#) and [Contact an advisor](#) -- we'd be happy to pick up where your mom left off in the budgeting advice!