

Personal Budgeting: What's the First Step?

As with many things in life, one will find more success with personal financial responsibility when he is careful to keep one eye on the present and one towards the future. To budget successfully, one must first identify his personal financial goals; he must understand what he wants from his money both now and in the future. A married couple *must* develop these goals *as a unit* to succeed in reaching them.

Each family should identify short-term, mid-term, and long-term personal financial goals. These goals will be unique to each family's personal situation. A couple may decide that their short or mid-term goal is for the husband to remain in Kollel for X number of years and not accrue any debt during that time. Another family may want to include buying a home. Other goals could be paying all bills on time and increasing one's credit score, saving for a van, paying tuition on time, saving for a bar mitzvah or chasuna, or remodeling the kitchen. Two goals that should be high on the list are creating an emergency fund and paying off debt, especially credit card debt and other high-interest loans.

Once the general goals have been agreed on, one must ask, "What qualities make a goal a good one?" Goals should be SMART: Specific, Measurable, Achievable, Relevant and Timely.

Specific: Goals should be written simply and should clearly define what you are going to do.

Measurable: Goals should be measurable so that there is tangible evidence when it has been achieved. Think dollar amounts.

Achievable: Goals should be achievable, within your reach.

Relevant: The goal must be consistent with other goals and your life plans. Make sure your financial goals fit with your personal and spiritual goals and the goals you have for your children's futures.

Timely: Goals should be linked to a deadline, this will give a little push, a sense of urgency, which helps in achieving the goal.

When developing financial goals, make sure all of these qualities are present. Instead of a general statement "save money for the bar mitzvah" a goal should be stated as follows: "Save \$5,000 for Shmuly's bar mitzvah by 12/31/2020 by putting away \$139 each month from January 2018-December 2020."

Once all the goals are set, they will likely have to be prioritized, as sometimes we must recognize that we can't save for everything at once.

A person with an eye on the future, and clearly delineated financial goals can then proceed with his or her budget- understanding how much money can be allocated to each of the day to day expense categories. Stay tuned next month for more on this topic.