

Why Budget?

Budget. When you hear that word, what do you feel? Overwhelmed? Turned off? Maybe it's something you've tried before. Below, we explore some answers to the question- "Why budget?"

- **Budgeting is not about scrimping, but about having a plan.** If a person just drifts through life, throwing money at whatever he fancies that day- he will never have enough when it comes to his real priorities. Having a budget starts with having long-term financial goals and a clear path towards getting there, including short-term goals along the way. If one keeps his eye on the prize, it will be easier to avoid impulse-buying as he travels his path, and he can slowly allocate money towards those goals so they can become a reality and not just a dream.
- **Figure out what your money can handle** Have you ever tried to make a vegetable soup? You bring out your soup pot, and pull all the vegetables from the fridge. Once you start chopping, the pot starts to fill up. At that point, you'll have to start making decisions about which vegetables are necessary for your soup to come out well. Do you really need five potatoes? Seven zucchinis? Will it taste just as good with one onion instead of two? Maybe if you add some extra salt? Ultimately, you're careful to choose the right mix and quantity of vegetables so that it all fits nicely in the pot and the soup ends up tasting good. If you're really smart, you'll make sure there's a nice margin on top of the ingredients, so the soup doesn't boil over easily. Budgeting follows the same logic. The vegetables are your expenses, and they must comfortably fit in the pot, which represents your current income - with a margin on top. Why? So that if there is extra pressure on your finances, your expenses don't boil over and use more resources than you have.
- **Following a budget ensures you don't spend money you don't have.** Just like you can't make soup without a pot no matter how many vegetables you've got in the fridge, having a budget helps you clarify how much money you need to bring in to make ends meet at the end of the month. If you don't know what your expenses are, you'll end up in a pickle some time down the line. Sure, crunching numbers isn't fun, but neither is paying off debt that accumulates because you didn't foresee your expenses and make sure you could afford them. The last thing you want to be in today's consumer driven climate is the one who's not paying attention.
- **When you have a good plan, you can spend happily.** The average family has a lot to juggle. Your income must be divided in many slices- monthly expenses, once a year expenses and unexpected ones. Once you know you have a plan- you have a pot and vegetables that are a good match, you can enjoy the soup! It won't hurt to write the check for summer camp, or Pesach matzos, the lawn care contract, or even the car repair, if you know that it's already been built into your plan. It won't cause your soup to boil over, and you won't have to clean up a mess afterwards.

Simply put, a budget helps you ensure that your **income minus expenses equals zero** (or hopefully more.) That your soup fits in the pot. If you are spending more than you are earning or at risk for doing so, you need a better plan (or possibly a bigger pot), or you'll have a mess to clean up. That is what making a budget is about.

Next up: the how's of budgeting. Stay tuned in the next edition!

The Cleveland Chesed Center, in partnership with Gesher and JFSA, will begin offering Financial Literacy educational opportunities to the community. If you are interested in learning how you can *make the most of your money*, please email us at info@clevelandchesedcenter.org or call 216-932-3115- make sure to leave a message with your name, phone number, and reason you are calling.