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7 Ways a Household Budget Can Save You Money

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By Mary Gormandy White
M.A., SPHR

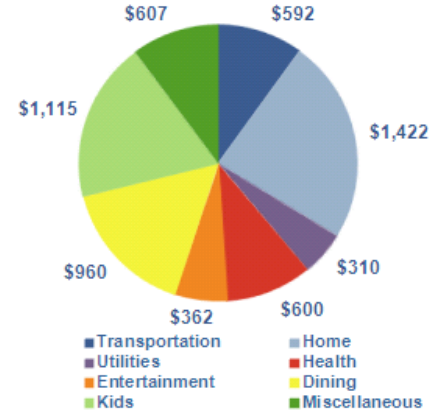
Establishing and following a [household budget](#) does take some time, but it can be well-worth the effort. Not only will using a budget help you make wise purchase choices and live within your means, it can also help you save money in several specific ways.

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1. Purposeful Shopping

When you know what you plan to purchase and establish maximum spending amounts for the things you need (as you will do when you create a budget), you'll be able to shop purposefully, looking for the best deals and bargains on the items that you are purchasing.

Use Tools

Use [shopping apps](#), store and manufacturer's [coupons](#), customer [loyalty programs](#) and other [frugal shopping strategies](#) to cut costs, freeing up room in your budget to set aside for savings or to direct toward additional purchases. Use the dollars and cents that you save in this way for special treats, or to help reach your long-term savings goals.

2. Avoiding Impulse Buying

When you use a budget to guide your purchase decisions, this can keep you from making snap buying decisions that often result in over-paying for items or purchasing things that you really don't need. On his blog, [Louis Scatigna](#), author of *Financial Physician* describes impulse buying as one of the biggest money-wasting habits, stating that "many impulse purchases go unused."

If you only purchase things in your budget, you will not waste money in this way. If you see something that you want to buy now, but it isn't on your budget - stop. Getting in the habit of budgeting for your purchases will help you make wise decisions and keep track of where your money is really going.

3. Saving for Special Purchases

Using a budget doesn't mean that you can't spend money on non-essential things, only that you need to think about such purchases and set aside money for them before buying rather than acting impulsively. Instead of buying on impulse, work a savings plan for priority items into your budget and hold off on spending until you are actually able to save the money needed.

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This will give you a structure for avoiding over-spending while still being able to get the things you need or really want. It will also help keep you from purchasing things that seem appealing at first thought, but that you truly don't need or even want.

4. Prioritizing Spending

If you find that you aren't willing to take the time to save up for a purchase, chances are that whatever you were thinking about purchasing isn't truly a priority for you - and certainly isn't something you should incur debt to buy. Saving for special purchases forces you to prioritize things before buying, keeping you from spending money where you shouldn't and providing a framework to save up for important things.

Expert Advice

April Masini of the [Ask April](#) advice column explains how this type of prioritizing can lead to deal making, a useful relationship and budgeting tool for couples. Masini explains, "Deal making is one of the biggest relationship tools out there, and it's free. A household budget can include a savings instrument for the vacations he wants and a savings factor for the new kitchen she wants."

She further adds, "You can decide to save for one first, and the other second, or you can decide where to cut back in order to facilitate the dreams you both have. One of you may value a hefty life insurance policy more than a vacation. The other may want a vacation home more than helping out the kids with college. In other words, you can use the budget to walk the walk that talking the talk about dreams requires to make real."



April Masini

5. Reducing Interest Fees

By waiting until you have saved enough money to pay cash for the things you decide to purchase, you can keep more of your money for yourself rather than using it to pay interest charges that you'll incur if you use a credit card.

Significant Fees

Average credit card interest rates run between just over 13% to nearly 15.5% as of [January of 2014](#), meaning that even small purchases on a revolving credit account that you can't immediately pay off can lead to significant fees. While you might be able to get a personal loan with a lower interest rate, any amount you spend on interest is money that could be put to better use.

6. Building an Emergency Fund

It's hard to make yourself set aside money for a rainy day if you don't have a structured plan for doing so, but it's something that everyone should do. Generally, it's best to have an emergency fund with enough money to cover living expenses for [three to six months](#), so that you won't immediately find yourself in dire straits if you lose your job, become unable to work due to an illness or disability, or find yourself in another situation where your income is reduced or cut off.

Budgeting can allow you to determine the amount that you need and establish a specific plan for setting aside funds until you have a sufficient nest egg.

7. Long-Term Savings Goals

Setting aside money for goals that are far in the future can also be difficult, especially when you have needs and wants that impact you right now. However, what seems far off in the future now - like buying a house, sending your kids to college, paying for their weddings or your own retirement - becomes just a little bit closer every day.

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Divert Funds

Once you've reached your savings goal for your emergency plan, it's ideal to divert the portion of your budget allocated to that end to a different savings account - one that you establish with long-term savings in mind. You're already accustomed to having the money pulled out of your living expense budget, so it only makes sense to continue saving.

When establishing a long-term savings plan with a spouse or partner, Masini offers the following advice: "Open the conversation about the household budget by making a list of what you both want for the future. If you don't say it out loud and then write it down, you can't blame each for not reading minds. You may be surprised by what you hear from your partner. Then make a list of your income, your outflow and what's fixed and variable. For instance, a mortgage is a fixed cost and your clothing budget is variable. You'll be surprised to learn that when the other person feels you're a teammate during this process, and not an opponent, they'll want to cut back where you've been wanting them to cut back - only voluntarily, not under duress (for both of you!)."

Commit to Budgeting

Budgeting is something that everyone needs to do. If you're single, you only have to convince yourself - which is challenging enough. If you're in a long-term relationship or have a family, you'll also need to get buy-in from the other members of your household.

A Team Effort

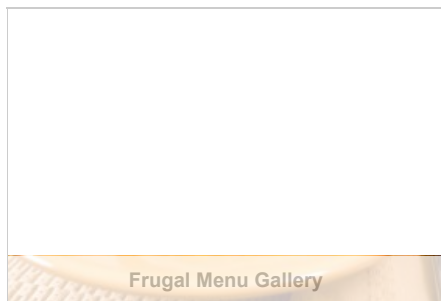
Andrew McNair, founder and CEO of SWAN Capital and author of *Don't Be Penny Wise & Dollar Foolish: 7 Major Financial Myths Debunked* advises: "Don't become a self-appointed budgeting dictator. Help your family realize it is in their best interest." Discussing a few of the ways budgeting can make it possible to save money is a great way to convince yourself, and get commitment from your loved ones.



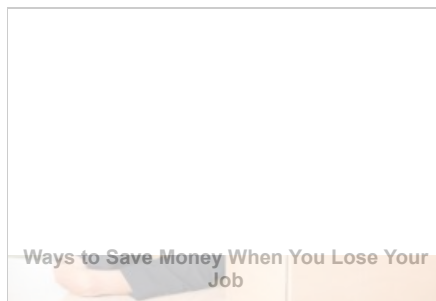
Andrew McNair

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