

## Why Budgets Don't Work

### The Most Important Step to Getting What You Want- That Nearly Everyone Skips

By Ellen Rogin, CPA, CFP®

Reviewing where we spend our money and planning how we will spend in the future- is vitally important for all of us, no matter how well we control cash flow and maximize our savings. However, even people who meticulously keep track of their spending have most likely skipped asking themselves the most important question in the process: **Am I spending on what is truly important to me?**

This step, assessing if the money you *do* spend is in line with your priorities and values, is key to having the life you want. Whether we are aware of them or not, everyone holds a number of personal values. In most cases, people have not taken the time to look at and examine what they value in life. Yet, knowing what we want from life and creating a spending plan based upon these values, makes it possible to realize our goals more effortlessly.

Developing a ***values-based spending plan*** is helpful not only in reaching your financial goals, but also in creating a financial life that runs in concert to what is truly important to you.

#### THREE STEPS TO GETTING WHAT YOU WANT

**First, set aside quiet time to think and journal about each of the following aspects of your life: family, community, personal growth, spiritual, and health.**

For each category write about all of the things that are important to you. When you think you are finished, write some more. Once you have thoroughly explored each of these areas, go back and identify the most important points you have written in each section. Then go back again and prioritize each of these important items.

At the end of this exercise you will have a prioritized list of what you most value.

**Second, list the amount you spend and what you purchase.** For some people this is easy. They keep track of their spending on a regular basis and can access this information quickly.

For others, however, coming up with a summary of their spending is more of a challenge. To compile this information I suggest you review the past twelve months' spending to summarize your expenditures into detailed categories using your check registers and credit card statements for the last year.

The more detailed you are the more useful the information will be in the values-based spending process. For example, instead of having just one category for clothes, divide this into subcategories such as: clothes for the kids, my clothes, and my spouse's clothes.

It may be challenging and time-consuming to reconstruct this information, but you'll end up with a useful spending record.

Using a budgeting software package to assist you will help organize the categories and calculate the totals. You can learn more about one of the most popular, Quicken<sup>™</sup>, at [www.quicken.com](http://www.quicken.com). Once you have a listing of your spending for the past year, you are ready to begin assessing if you are allocating your money in ways that are truly important to you.

**Third, review your expenses and see if your spending corresponds with your goals.**

Let's look at two people who adjusted their spending to be more in line with their values:

When Susan prioritized her values, she realized it is vitally important to her to assist her children to be independent, happy and successful members of society.

Susan believes one important way to help is to provide for their higher education. When she looked at her spending plan she found that the majority of the spending for her kids was on clothes, camps and activities. Very little was being saved for their college education.

When Susan determined how she was allocating money for her children she realized that she was not supporting what she really valued. She decided to cut back on activities for her children and find less expensive summer camps so she could increase her contribution to their college savings plan.

Similarly, Julie changed her spending after taking a values-based look at her spending.

One of the top priorities for Julie is to constantly be growing and learning. When she looked at what this meant to her, Julie realized that she desired to travel abroad on a regular basis. In order to build this into her budget she would need to spend less on things that, after careful consideration, seem so much less important to her—things such as regular manicures and health club dues (she stopped going to the club after the second month of her membership).

Have you taken a values-based look at your spending?

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