

Hack Your Budget

Your super-simple guide to making—and sticking to—a basic financial plan.

BY KATE ROCKWOOD

NEARLY TWENTY PERCENT OF AMERICANS DON'T MAKE A DETAILED HOUSEHOLD BUDGET EVERY MONTH. Here's what they may not realize: Having a plan for every dollar in your wallet doesn't restrict your spending—it actually frees you to spend more. Read on for ways to track, stretch and protect your way to a better handle on your money.



TRACK IT

Pen and paper is still the most common way people track spending, according to a Bankrate survey. But with these apps, your budget is always at your fingertips—meaning you can leave your notebook at home.



	MINT	GOOD BUDGET	LEVEL MONEY	YOU NEED A BUDGET
BEST FOR	Budgeters who dread combing through transactions or digging into the details.	Budgeters who like the idea of divvying their money into cash envelopes—but don't want to deal with living an all-cash lifestyle.	Budgeters looking to track money based on unique spending habits and to see what money is available to spend each month.	Budgeters who want to reach financial goals by paying attention to every penny, and couples sharing finances.
SET UP	Sync the app with your bank accounts and credit cards to track spending by category and never miss a bill payment.	Create digital "envelopes" for groceries, car, and more and move money into each at the start of the month.	Sync the app to your accounts and enter your savings goals. Level Money, powered by Capital One, provides a snapshot of your recurring expenses and more.	Automatically syncs accounts, but because you must assign transactions to categories, you stay aware and engaged.
WORK IT	Glance at the balances of each budget category to see how much you have left to spend <i>before</i> you head to the store or shopping center. Set up text alerts to notify you if you overspend. (Free, iOS and Android; mint.com)	Every time you spend money, whether with cash or plastic, enter the transaction into the app. (You can also share an account with multiple users, to rope your partner into the process.) This manual approach might make you more mindful than a set-it-and-forget-it budget. (Free, iOS and Android; goodbudget.com)	Glance at the app to get an estimate of how much money you can spend this day or week and still stay within budget for the month. (Free, iOS and Android; levelmoney.com)	Click to import and categorize your expenses each day. It takes more effort, but fans say that manually tagging each \$6 lunch can reshape your habits more than seeing that "dining" hit \$120 this month. (Free for 34 days, then \$50/month, iOS and Android; ynab.com.com)



OOPS-PROOF IT

Correct these four common slip-ups that can sink your best budget intentions.

1 Not knowing your pay frequency.

Do you get paid bimonthly or every two weeks? Bimonthly means 24 paychecks, not 26—and that can throw off your annual calculations.

2 Assuming last month was a fluke.

When you're looking at the past to build a budget, don't discount unforeseen expenses. The truth is, they'll probably happen more often than you realize.

3 Trying to be a hero.

If you underspend one month, don't rush to move that extra money into savings. You might need it for some big outlay in the future, and it's better to have a cushion.

4 Tweaking the budget constantly.

It typically takes a few months to fine tune a spending plan. If you're fiddling with the categories beyond that it might mean the budget's structure is flawed.

EMBRACE IT

Even when your spending plan seems perfectly reasonable, you might struggle to stick to it. "That's because our brains aren't naturally wired to budget," says Ted Klontz, PhD, financial psychologist and author of *Mind Over Money*. Try these mind tricks to overcome even the strongest spending challenges.



"I have the best intentions...until I see the bargain bin."

BEAT IT: Retailers spend millions of dollars studying and executing psychology tricks to make shoppers give in to impulse purchases—from the chaos of the clearance rack to the cushiness of the carpet.

"They appeal to every sense, and the subconscious part of your brain will override your better judgment and say: I want it," says Klontz. His advice? Be aware of the tricks, arm yourself with a specific list, and stick to it. Try to get through the store swiftly—cue up your favorite upbeat music on your iPod to help you keep up the pace—so that you spend less time lingering over possible purchases.



"Once I go a little bit over budget, I tend to blow it completely."

BEAT IT: Counterintuitive as it sounds, your budget may be too strict to begin with, says Katie Waters, CFP, founder of Stable Waters Financials, a financial planning firm. "If you're too ambitious with your budget, it's the equivalent of crash dieting: You might be able to make it a month on only \$10 of fun money, but it's not sustainable." Dig out the last three bank statements and tally up your expenses in each category. Then try to shave down those true numbers—not the ballpark estimates you have in your head.



"I keep meaning to make a budget, but continue to put it off."

BEAT IT: "The very word 'budget' causes the brain's pain center to become activated," says Klontz. "The word might signal restriction and scarcity, which your brain perceives

as dangerous." Try thinking of the "b word" as a spending plan, and the act of mapping out your money might get instantly more enticing. Also, break it into weekly or biweekly challenges, so you can double down on meal planning and grocery shopping for now, then carry those better habits into the next category.



"I know I should save, but I never seem to have much left at the end of the month."

BEAT IT: "Pay yourself first" is common financial wisdom for a reason. Set up an automatic transfer into your savings account at the start of the month (or have a portion of your paycheck go there directly), so you won't have to use your willpower to safeguard those funds against the siren song of dinner out with friends



"Online shopping is my Achilles' heel."

BEAT IT: One-click shopping is so seductive because it takes almost no effort to do. Clear out the settings on your favorite accounts, so they aren't saving any of your info. That means the next time you want to splurge on fancy ice trays, you'll have to stand up, find your wallet, and type in all that info. That extra effort may make you rethink your purchase.



"My follow-through goes kaput mid-month. I have a hard time keeping up the momentum."

BEAT IT: Make a list of 10 things you love to do that cost \$5 or less and treat yourself each week if you track your spending and stick to your plan. "Little rewards built into the program can go a long way toward sticking with it," says Klontz.

STRETCH IT

Budgets tend to backfire because we try to eliminate every small splurge. But "budgets don't have to be all grunt work and misery," says Gregory Karp, author of *The 1-2-3 Money Plan*. He recommends tackling the recurring expenses to free up more money every month—no willpower required.



CELL PHONE

Good news: You don't have to call and threaten to switch providers to get a better deal. "Competition has really heated up in recent years, so your provider may now be offering a better package with a lower price tag," says Karp. They won't switch you to the cheaper plan automatically, though—you'll have to check the site or call.



INSURANCE

You might think that sticking with the same insurance carrier forever will get you a sweeter rate, but "when it comes to insurance, being loyal does not pay," says Karp. Carriers tend to use the best deals to lure new customers, so comparison shopping may save you hundreds this year. Also ask about the home security devices (like dead bolts and smoke detectors) may earn you a break on your homeowner's insurance.



TV AND INTERNET

Once a year, think about your viewing habits: If you only watch network shows, the \$20 to buy a rabbit ears-style antenna is the only thing standing between you and free TV. If you like basic cable shows or even premium shows, cutting the cable cord in favor of monthly subscriptions to video streaming services, like Hulu, Netflix and HBO Go, may make more financial sense. Then head to lowermybills.com for free comparison-shopping on Internet providers.