

I Can't Budget by Cullen Douglass, CFP®

I've heard this time and time again over the last 20-plus years, usually along with the observation that setting a budget is the key to financial planning and building wealth. Is this true? Over my career, I haven't found many people who are good at personal budgeting, but I've met plenty of people with wealth, which I'll define as having at least 10 times your annual expenses in liquid assets.

Why can't people budget? They often react to life instead of planning life. People emotionally will go out to dinner after a rough day at work because they don't want to cook. They look at life experiences to offset the emotional crisis. People want to spend money on their children with no regard to budgeting. They have no way of budgeting for healthcare costs. If their child has an accident and is sent to the emergency room, that's an unforeseen expense.



Since few families budget well, but plenty of families have wealth, does that mean there isn't a direct correlation to building wealth and budgeting?

Let's examine how people build wealth. One of three things occur to create wealth: people save it, they inherit it, or they create it. Most people I work with have either created or saved it. Creating wealth usually involves selling a business or an asset. Saving it just means setting it aside and putting it into some assets that will accumulate for them. How does someone who can't budget manage to save and accumulate wealth? It doesn't sound reasonable to do one but not to do the other.

A simple, straightforward concept is to pay yourself first. It has been one of the most successful methods to creating wealth. The concept requires clients to first live within their means, and second to pull savings out of their income before they spend it on any expenses or lifestyle. If an individual or family can save 20% of their earnings over an extended period of time, wealth can be created that can be transforming to their personal financial plan. The key to this is not budgeting but working with someone who helps you put systems in place to manage your expenses and to pull money before you spend it. The key to this is not budgeting but working with someone who helps you put systems in place to manage your expenses and to pull money before you spend it. So, consider working with a CERTIFIED FINANCIAL PLANNER™ Professional to start working on building wealth and help create a better future for your family.

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