Reach your financial goals! Follow these 5 steps to save money

Try these expert tips to help you stick to a budget.

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You bought groceries, gave your kid money for a field trip, replaced a worn-out pair of snow pants and covered the car payment. No wonder there isn't much left of your paycheque at the end of the month. And if you're like a lot of Canadians, some months you find yourself a little short. But what can you do? Having a plan for your money before you spend it will help keep you on track, says David Christianson, a financial advisor in Winnipeg, and author of *Managing the Bull*, a book that covers this very topic. Here's how:

1. Have a goal

It's easier to stay in control of your spending when you're working toward a concrete payoff. So think of something you really want, but can't afford just yet. Perhaps you want to take your family on a vacation to a tropical resort, or buy a new car. When you have a powerful goal like that, it's easier to say no to less important purchases, says Sheila Walkington, co-founder of Money Coaches Canada in Vancouver, and the author of *Unstuck: How to Get Out of Your Money Rut and Start Living the Life You Want*.

2. Know your numbers

You probably have a good sense of how your take-home pay adds up over a month. But do you know where that money is going? Take the time to make note of every single expense. Some exact costs you can get from bank statements and bills – your mortgage or rent, car payment and basic utilities. Other expenses may fluctuate month to month, such as Internet usage, food and your children's activities.

To keep track, Christianson suggests carrying around a tiny notebook and writing down each of your purchases as they happen. Then sort the expenses into two categories: fixed costs (the amounts that never change, and that are required expenses, like your car payment), and discretionary costs (restaurant meals and clothing, for example).

Don't forget to write down what you do with the loose cash you take out of the bank machine, even if it's for small purchases like postage stamps or packs of gum. Those small amounts can really add up! “It will probably take three months to really know how much is being spent in every category,” Christianson says.

Tip: Help track your spending by saving your receipts. Keep track of out-of-pocket purchases, like takeout lunches and cups of coffee. You might be surprised how those little things add up.

3. Choose what you can live without

At the end of each month, look back at everything you’ve spent money on – then decide which expenses are essential, and which ones can be put on the chopping block. Many people are shocked at how on-the-go purchases like a daily coffee or occasional takeout meals can add up. Those kinds of things are usually the first to get thrown into the “don’t do it!” part of your spending plan, but what’s considered essential will vary from person to person. A gym membership may be non-negotiable in your books, while another person might choose to nix the gym fee so they can afford to spend more on organic groceries. Choose to keep only the expenses that are most important to you.

What you’re doing in this step is aligning your values with your spending, explains Trevor Van Nest, founder of York Region Money Coaches in Newmarket, Ont. “You’re starting to make decisions of what to do with your money. So, instead of, ‘We just happened to spend $300 in restaurants last month,’ you tell your money where it’s going to go before the month begins.”

Be realistic. If you’re a family of four and spend $600 on groceries, shaving $100 from your food bill might be doable. But saying you’ll only spend $200 a month from now on may be a pipe dream, Walkington says.

4. Prepare for surprise costs

Your car needs a brake job. The family cat is sick. The washing machine is leaking. What then? Setting aside some money means you’ll be able to cover the cost of repairs, vet bills and whatever else life throws at you. Rainy days happen, and being prepared for them is part of a smart spending plan, Walkington says. “Are these things really unforeseen, or should we plan on the cat going to the vet a couple of times a year? I suggest thinking ahead about all these sorts of things for the next 12 months and starting to plan backwards.”

For example, in some cities, property taxes are billed quarterly, so that if your total annual tax is $2,400, you’re on the hook for $600 each payment. That much money can be hard to come by in a lump sum! So make it easier by dividing the total you owe by 12, and setting aside that amount every month. Saving $200 a month hurts less than shelling out $600 in a single go.

Tip: Try setting aside a little cash each month – that way, you won’t be sideswiped by a car repair or other expense.

5. Use your bank strategically

Set up a separate bank account with direct deposit instructions to flow in enough money from your paycheque to cover your fixed expenses every month. That way, you'll never touch the bill money, says Walkington. For the "must-have" discretionary purchases you decided on earlier, she suggests you withdraw only enough cash to cover those costs weekly or biweekly. "Dealing in cash is a visual way of staying on track, because then you can see what's left," she says.

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