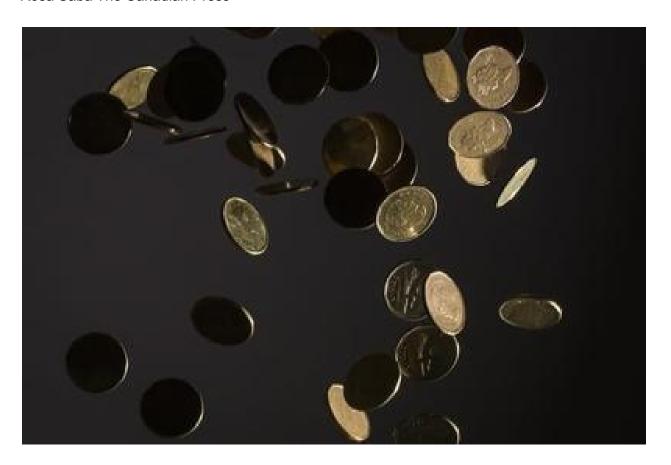
Budgeting for the first time amid soaring inflation? Here are some tips

Rosa Saba The Canadian Press



Falling Canadian dollars coins or loonies are pictured in North Vancouver, B.C. Wednesday, May 29, 2019. As inflation continues to take its toll, some Canadians may also start taking a closer look at their spending habits.THE CANADIAN PRESS/Jonathan Hayward

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Chris Melnyk described the initial onset of inflation on his finances as a challenge.

But soon the Whitby, Ont.-based personal trainer was able to adjust his budget to account for the uptick in his expenses, and now he feels less stressed about the coming months.

Over the years, Melnyk says he's learned that instead of following a rigid spending plan, what helps him stay trained on his financial goals is checking his budget on a regular basis and making adjustments as needed.

"I found that being a little bit more fluid ... it becomes a lot easier to manage," he said.

As inflation continues to take its toll, some Canadians may also start taking a closer look at their spending habits.

In 2019, only around half of Canadians said they had a budget, according to a survey by the Financial Consumer Agency of Canada.

The FCAC said non-budgeters were twice as likely to be falling behind on their financial commitments as budgeters. Budgeters were also less likely to spend more than their monthly income or use credit for day-to-day expenses.

Not having a budget makes it difficult to take control of your finances, said Charity Oisamoje, a money expert and founder of The Finance Key.

"When you don't have a budget, you might actually feel overwhelmed by your finances," she said.

One of the reasons budgets or plans often fail is because people don't have goals in mind, said Money Coaches Canada financial planner Janet Gray.

It's harder to stick to your plan when you don't know what you're working towards, whether it's paying off debt or saving up for a down payment, she said.

Gray said instead of budget, she prefers the term "plan," as it has fewer negative connotations. After all, budgeting isn't only about restricting spending, but also about planning it, she said.

You can't set a spending plan until you know how much you're working with and what your costs are, said Gray. She suggests tracking your income and spending for a month to see how much you actually bring in and where it goes. With that information, and some goals in mind, you can then set targets and make your plan, she said.

Desjardins Group financial planner Angela Iermieri said these days, with so many automatic payments and subscription services, it's harder to track your spending.

Writing a budget helps you to visualize all these costs, she said, but you need to make sure you're not underestimating your spending.

"We have to be honest with ourselves when we set up a budget," said lermieri.

There are a variety of budget plans out there, such as the 50-30-20 plan — where half your money goes to necessities, 30 per cent to discretionary spending, and 20 per cent to debt and savings.

But Gray said what matters most is that your plan works for you. It should, of course, cover your necessities first, allow for a realistic but sustainable level of discretionary spending, and include saving and debt-paying — though if you have high-interest debt like credit card debt you should focus on paying that down before saving, she said.

If you're overwhelmed by the idea of budgeting for the first time, Oisamoje said you should start simple. Use a ratio like 50-30-20, or another that fits your lifestyle better, and try to stick to it while tracking your income and expenses.

Eventually, she said you'll be ready to "graduate" to something more involved, like a spreadsheet or an app.

Oisamoje said including non-essential spending, or "fun" spending, is crucial for balance and mental health.

The discretionary spending is "the stuff that keeps you motivated to continue going on with that plan," Gray agreed.

Your plan also needs to account for seasonal differences, said Gray, such as extra spending around the holidays.

"A budget is not fixed forever. It can evolve," said lermieri, adding that you should re-evaluate your budget and goals whenever your costs or income change.

Often people underestimate their expenses or fail to account for varying and unexpected costs, said Oisamoje. Those mistakes, plus overspending on non-essentials, are how the budget gets broken — but it's not the end of the world if that happens one month.

"Just try to stick to it as best as you can. But don't be too hard on yourself."

Gray agreed, and cautioned not to use one misstep as a reason to forgo the budget altogether.

"It's not a sprint, it's a marathon."

This report by The Canadian Press was first published Dec. 8, 2022.