



Budgets And Budgeting

5 Easy Ways to Take Control of Your Personal Finances

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Illustration by Lucia Pham

Summary. Don't let your finances stress you out to the point of inaction. Instead, take back control by following the steps below: Start budgeting. But here's the key: Don't use your budget to set unrealistic goals about how much you are going to save and how much extra... [more](#)



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The last year has been a very difficult one. Not only have we had to deal with travel restrictions, lockdown orders, and fears of getting sick — many of us have also been struggling financially. In fact, research suggests that financial stress is at an all-time high in America, a phenomenon explained by the numerous hiring freezes and layoffs brought on by the pandemic.

Financial stress can be caused by a number of things: debt, unexpected expenses, or a compulsion to make purchases that we can't afford. Without the right coping strategies or support, it can feel impossible to get through. But it is possible.

If you are suffering from financial stress, keep two things in mind:

- 1) You are not alone, and there are plenty of services and people out there who can help you.
- 2) There are some tried-and-tested ways to begin to feel in control of your money again.

1) Budget, budget, budget.

The easiest way to get your finances on track is to make a detailed, realistic budget that you can stick to. This may sound obvious, but for many people, the experience of financial stress creates a vicious cycle — you avoid thinking about money because it's a stressful subject, which then gets you further into debt, which then causes more stress, and so on ad infinitum.

The key to creating a successful budget is not setting unrealistic goals about how much you are going to save and how much extra money you will earn. Instead, use your budget to accurately track and describe how your finances work. Having a good idea of how much money you actually have, spend, and can save is the first step toward true financial freedom.

To start, put together a spreadsheet document (you can use Google Sheets or Microsoft Excel). Under the far left row write out your monthly expenses. These could include things like:

- Savings (Don't forget to always pay yourself first!)
- Mortgage/rent
- Car payment
- Car insurance
- Health insurance
- Taxes
- Student loans
- Groceries/Food/Other necessities
- Gasoline
- Internet
- Phone
- Fun

Then to the right, type in the amount that you spend on each one, and the date the payments are due as a reminder. Add up the total at the bottom to ensure you're not spending more than you're bringing in. See if you notice areas where you could be spending more or spending less.

2) Create an emergency fund.

Another effective way to reduce financial stress is to start building an emergency fund to cover unexpected expenses. If you are struggling with debt, and not earning enough to put money aside, building up a huge fund might seem unrealistic. But putting aside \$50 a month will quickly add up to a useful nest egg. You should also consider selling some clothes, books, or other items you own, but haven't used in years, to kick things off.

You should aim to have at least \$1,000 in your emergency fund, at least until you're out of debt. Once you have enough money to save a little more, aim to have three to six months' of living expenses in your fund (use the budget you made above to calculate this).

An emergency fund can, and likely will, alleviate your stress in a number of ways. Most importantly, it will provide you with the psychological security you need to keep your cool in the most stressful situations. Should any unexpected costs come up — such as a vehicle repair or a last minute trip to visit family — you will have the money to meet them. As a result, you will avoid getting further into debt, and be able to sidestep solutions like borrowing money or racking up credit card charges that you can't afford to payoff.

3) Be honest with yourself.

After making a budget and starting an emergency fund, it's time to face up to some hard truths. If you're affected by financial stress, you're

probably in debt, which means (a) you're spending more than you're earning or (b) you're facing additional stresses, like supporting family members or other people in your life.

The good news is that it's much easier to earn extra income today than it was in the past, largely due to the increase of online freelancing opportunities. Freelancers in the United States [earn around \\$50 an hour](#) on average, meaning taking on just a few extra work hours each week is an effective way for many people to bring in more money and make a dent in their debt. (Websites like [Upwork](#) or [Guru](#) offer opportunities for people in various fields.)

That said, in the short to medium term, your spending is going to be easier to change than your income. Reducing costs means doing some obvious things — not making compulsive purchases, and skipping those expensive nights out with friends. But it also includes making some less obvious choices.

One of these includes moving to a cheaper apartment. This may sound like a drastic change, but for most people, rent is by far their biggest monthly expense — [making up almost 30% of monthly outgoings](#). If you can afford the large, one-time cost of a move, rest assured that over the course of six months living in a cheaper space saves you thousands of dollars — not just in rent, but in reducing interest payments on your debt.

Try this same strategy for other major monthly expenses, such as looking into more affordable options for health insurance or vehicles that require lower car payments.



4) Ask for help.

For many people, the most difficult thing about financial stress is the guilt and embarrassment that it causes. In a society as materialistic as ours, it can be difficult to admit that you are not incredibly rich, let alone that you are struggling to balance your daily finances.

Overcoming this fear is [essential to getting out of debt](#) and relieving your stress. There are plenty of services out there that can help you take back control — from financial planning and credit counseling services to debt management advisors. Even some finance content sites (like [Kiplinger](#) or [Bankrate](#)), which are mainly focused on helping you invest money, give free advice on how to reduce your debt and balance your budget.

Taking the time to seriously look into these services is worth it. The advantage here — beyond the professional help and support they can provide — is that by using them you take the burden off of your friends and family. While you should always be open and honest about your finances with loved ones, the anonymous nature of a professional advisor removes some of the pressure you may feel around solving the problem alone.

5) Track your progress.

Finally, we come full circle, back to strategy number one. All throughout the process we've described here, you should be looking at your budget, and adjusting it to fit your actual finances. As you begin to pay down

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your debt, and your financial stress decreases, make sure you track this progress.

Knowing how much money you actually have, rather than sitting in uncertainty, will [reduce your stress levels](#) and help you build a more positive relationship with money in general. You can even reward yourself for your hard work by giving yourself an incentive. For example, for every \$200 you save, maybe you spend \$20 on a nice bottle of wine or a meal.

Now, go get started!



Kiara Taylor has more than 10 years of experience in finance, ranging from fixed income to emerging markets. She enjoys writing on the impact of both micro and macro trends on global finance, and has contributed to [Investopedia](#), [The Balance](#), and [Crunchbase](#).



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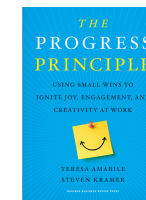
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