

The Budgeting "Ah-Ha's"

Taking a giant step back and comparing your Ideal and Actual Budgets can give you a new perspective and some "ah-ha's" you hadn't thought of before. One of the things you might realize by doing this spending plan is that you aren't living the life you truly want. You might see that you've been squeezing by and not doing some things that are important to you. You might see that it's not that you've been spending too much money; it's that you really need to earn more.

Conversely, you might realize that you've been spending a lot more money than is really your intention. It's a common occurrence to spend more money as we make more money. Some of us have our new raises spent before we even get them, and for others, it creates a vicious cycle of always having to earn more. Building a budget from the ground up, based on the life you want to live, can give you a moment of pause about the parts of your life that you truly value. It makes you look at your money and your values separate from the pile of bills sitting on your desk.

What kind of home would you live in if you earned ten times what you earned now? Do you love your home? Would you move into a bigger home just because you could? Warren Buffet is a great example of someone who lives based on what he truly values. He could live in any home he wanted to; yet he lives in the same simple ranch-style home bought in 1957.

How far off is your Ideal Budget from your income? Do you need to make adjustments everywhere, or would one big adjustment take care of it all? Would that bring you into alignment with your ideal?

In business this approach to budgeting is called zero-based budgeting.

ZERO BASED BUDGET IDEAS

- *Sell car & buy one significantly less expensive.*
 - *Rent my spare room to a college student.*
 - _____
 - _____
 - _____
 - _____
- You fill in the rest.*

You start from scratch, and everyone that's in charge of a department sketches out, numerically, what they need from a financial perspective, to meet their goals and objectives for the next year. And they don't just look at the expense side of the equation; they look even harder at the revenue side.

This is an area that we do all wrong in our personal finances. Corporations hire teams of financial analysts to ensure that they're maximizing their revenues and minimizing their expenses. What would our spending plans look like if we spent more time planning our income than we did figuring out our expenses?