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BUSE 120

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### Personal Budget Project

Some say you can tell a lot about a person by how they spend their money and where they spend their money on. You might be spending way too much on discretionary products but you never even realize it because it only costs you \$2 every transaction. That lottery ticket only costs \$10 a pop and you think it does not hurt your pocket at all, or does it? How else can we see these things if those small purchases feel minimal and trivial. Buying a \$10 lottery ticket every day for a whole week amounts to \$70, not much isn't it? Every day for a year you would end up wasting \$3,650. Have you saved those \$10 purchases and put it into an investment vehicle instead with a 8% return rate compounded monthly would earn you \$150 without breaking a sweat. The sad part is, you never even knew about this because you were caught up kissing your lottery ticket good luck as you ran your ticket into the scanner, hoping to hit a jackpot with a 1 in 13,983,816 chance of winning. You're most likely to get hit by a car on your way to buy a ticket than winning the game! With having a personal budget plan, this might never happen.

### BUDGET PURPOSE

Budgeting, as I have learned so far in this course and throughout my personal experiences, is a blueprint of how we should spend our money efficiently and with regards to our future

expenses. Also, I have learned that budgeting is not as bad as I thought it was especially with a great personal financing tool such as the *Excel Financial Worksheets* provided for this class which I believe will still be useful beyond this class. The main reason I did not budgeted before like I have in the past few weeks after taking BUSE 120, was due to the heavy, as it seemed, initial effort to start a budget. I just did not know where to start.

Having a personal budget made a big impact on my spending habit. It serves as a tool of measurement, much like a weighing scale is to body weight or barometer is to atmospheric pressure, budget plan is a measuring tool for financial health. It helps me realize certain things I would not have otherwise notice such as how much I spend on fast-foods or other trivial monthly subscriptions. These purchases don't seem much as it only nibbles away from my pocket and doesn't seem to be a big deal. But looking at the bigger picture, it accumulates to something concerning.

Other factors such as micro and macro however, will definitely affect my budget planning or decision in the future. Micro factors such as personal affairs, family emergencies, age, etc. affects an individual at a personal or "micro" level. On the contrary, macro factors such as employment rate, inflation rate, or even the current GDP level would also affect people but rather on a large-scale. And I might be one of those people when the time come. By being aware of these factors helps a person to plan their finances for the unpredictable future and be better prepared for the storms to come. Having an emergency savings to tap into in an unfortunate event would save you from further headaches or even dire situations.

## BUDGET GOALS

Having a personal budget could be really helpful not only for regulating our finances each month or to allocate our spending in the most pragmatic way according to our needs and wants, but also saving up for specific purchases we plan to take in the future. A family vacation for example. A trip to Hawaii seems to be the perfect vacation for you and your family this year but the trip to paradise comes at a cost, and if you aren't prepared for those, things could become ugly and might force you to make irrational spot-on decisions that you will regret later.

Saving a portion of our salary every month is a good first step in planning our vacation or what have you, but saving our money alone is not enough to get that dream vacation. As the saying goes, "the road to hell is paved with good intentions." The old proverb is meant for those who think they are doing something good but in fact they are just being lazy or doing something acceptably good but they know full well it isn't enough or the right thing to do. This can also be applied to budgeting where we should not only keep saving and squeeze every dime we have left in our salary as we also have other things to worry about like saving up for our retirement or college fund for our kids. SMART goal helps us prepare for our future or for that paradise vacation we have been dreaming about. SMART stands for Specific, Measurable, Actionable, Relevant and Timebound. The most that made the biggest impact in my budgeting was the Measurable and Timebound. Knowing the scope of your finances and being aware of the how much time do you to reach your goal is essential in planning your finances. It helped me see what changes I need to make in my spending habits and focus more on the part that needs more attention. Also, having a timeline in my plan helps me focus on just the part that matters NOW instead of worrying about everything at the same time (because looking at the bigger picture can sometimes be a deterrent

for people like me to make a budget plan, as sometimes it turns out to be more complicated than I thought it was, therefore I postpone).

## BUDGET ANALYSIS

As of right now, I have not been able to go back to work and have been living with my parents due to an unfortunate event. My only source of income currently is the disability payment I am receiving each month and that seems to be enough for my basic needs as some other things are provided with the support of my parents. The major expenses I have for now is my car insurance and a portion I give to my parents to help out with our housing expenses such as utilities and rent. It takes more than half of my monthly income which leaves the rest of my budget allocated into my investments, savings and emergency fund for rainy days. Other relatively major expenses I have that are mainly for pleasure are my trips to Jack in the Box, which was also one of the biggest variances in my comprehensive budget worksheet, and stopping by at the grocery store to buy chocolates (I have a sweet tooth). In addition, personal care has the most variance (I allocated \$20 for the whole month for it but ended up spending \$40) because I forgot to include other factors such as dental care.

## REFLECTION

I have realized budgeting could be fun and not so complicated than I made it to be in the past when you have the right tool and mindset. Finances is a big part of our life that we need to get a hold of because sooner or later it will hit you right when you least expected it. Also, budget planning can make a person realize what kind of life he/she is having with emotions abstracted

away from the worksheet. People spend a lot on something they are interested in, sometimes without hesitation. For me, I spent too much on food recently. I have been squandering my extra money in fast-foods and candies which I seriously need to regulate. Also, budgeting makes me realize that somehow, given that life is full of unpredictable surprises, we can always prepare for those events in our life that will eventually come to us. Just like everything in life, nothing can save us from those trying times better than preparation. I plan to keep using the financial worksheet beyond this class for personal use.

## CONCLUSION

In conclusion, there are countless of ways to go about our budget plan. There is no “size that fits all” formula that will make our planning easier. It always depends on our current financial situation and other factors such as family affairs or large-scale economic phenomena. It is easy to postpone making a budget plan and just rely on our guts and mental calculations, but those methods are already proven unreliable by many. The next step for me is to be consistent with my budget plan and learn more about important economic activities that might be useful when planning about my future to be better informed.