

Use **psychology** to **BUILD A BUDGET** you'll **stick** with!



When you start looking for financial advice, experts will share their take on what's "good" and what's "bad," but they will often contradict each other.

IT'S TIME TO

Rather than trying to follow all of the expert advice, start by losing the desire to classify everything as "good" and "bad." Instead, just remember these three steps.



STEP 1 PRIORITIZE

Prioritizing your goals means taking a little personal reflection time and writing a few things down.

What do you want your Prioritizing your goals life to look like over the should not be confused next few years? with categorizing your expenses It could be your dream to train for a new career, You shouldn't prioritize have an adventure in a what you think you "should" be saving up forforeign country, start your own business or do not let other people's priorities define your goals raise a family Allow your goals to be a judgment-free zone goals and dreams are as diverse as the minds and personalities behind them. In most cases, goals reach beyond the familiar trifecta of "pay off student loans, buy a house, save for retirement." WHY PRIORITIZING WORKS Prioritizing your goals gets you buzzing about what your money can do for you. There are a couple of motivating factors at work here. You are asserting your It reminds you that beliefs and your values you're in charge-that you have a say in where your You are reminding yourself money goes of why you're willing to adopt a budgeting system Social scientists point in the first place to autonomy as being a critical element to Studies show that you're sustain motivation more invested in activities that reflect your personal It's powerful to realize values-this is what that your budget is a generates stamina and collection of choices you determination make in order to create the life you want GET STARTED Grab a Think Write the Ask Realize yourself about it pencil and answers your what you for 10 down goals are paper want minutes achievable STEP 2 TRACK

> Tracking your expenses means being aware of where your money is going as you spend it.

IT'S TOTALLY UP TO YOU

PAPER

Some swear by tracking their expenses with good ol' pencil and paper



budgeting apps on their smartphone or spreadsheets on their computer

ENVELOPES



Some gravitate to unique approaches like portioning their spending money into envelopes

When you track your expenses, a couple of things will come to light.

You start to realize that every transaction, no matter how big or how small, is either contributing to a goal or taking away from it The second thing you'll notice is that the longer you've been tracking your expenses, the more you'll see evidence of your progress

WHY TRACKING WORKS

Another critical element in sustaining motivation is competence, or your ability to do something well. We thrive on being reminded that we're improving.

Tracking your expenses helps you to identify your spending patterns and to course-correct when necessary

By tracking your spending, you're also tracking your effort—you're creating a record of your progress along with a record of your transactions

Before long, you'll have tangible evidence of how your actions and your follow-through are contributing to a calmer, happier financial life

You'll see how capable you are of budgeting and you'll find it easier to keep your budgeting winning streak going



Try out a new budgeting system today

GET STARTED

Browse the App Store or the web, or pick up a book

Don't spend much time comparing budgeting approaches



Just pick one and try it out

REWARD

Rewarding yourself means encouraging

and celebrating your progress as you create healthier financial habits.

MILESTONES

Time-based Use budgeting app every day for 30 days

Achievement-based Pay off all credit card debt

Increment-based Emergency fund reaches \$500, \$1,000, \$2,000

REWARDS

Material rewards Fancy coffee, movie night, new gadget

Time- and experiencebased rewards Give yourself permission to spend an entire day just vegging out

WHY REWARDING WORKS

Quite simply, rewards feel good. Rewards highlight our achievements and renew our commitment.



As kids, we loved earning those gold star stickers

Although that familiar achievement/reward structure practically disappears in later years, it doesn't mean that rewards are any less effective in adulthood



Assigning rewards to a milestone creates added incentive and boosts your motivation

When you earn, claim and enjoy a reward, your brain gets an extra hit of dopamine, which increases your focus and drive

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Brainstorm a list of budgeting milestones and a list of possible rewards Set a timer for 10 minutes to keep yourself on track After the time is up, assign the rewards to your milestones

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Rewards should celebrate your efforts and be exciting to work toward

When you reach your milestones, claim your rewards!

GET STARTED

Incorporating **Prioritize, Track, Reward** into your budgeting method of choice will boost your motivation while tackling your personal finance goals at the same time.

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Sources: Forbes.com, ScientificAmerican.com and Time.com



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