

Tips for Avoiding an Out of Money Experience

Do you run out of money before you run out of month? Many do, but it doesn't have to be that way! Wealth is the result of widening the gap between what you earn and what you spend. Most of us make the mistake of ramping up our spending as our disposable incomes rise. This is self-defeating. If you do not develop a respect for money, it will always elude you.

You Need a Plan

We call this a budget. That's a four letter word to some people but if you count the letters, it's really a six letter word ... like friend. If thinking about budgeting makes you throw up a little in your mouth, try thinking of a budget as your friend.

This friend will make sure that the month and your money expire at the same moment in time. This friend will rescue you from the endless cycle of debt that traps so many of us.

You know the routine. You are out of cash with almost a week until payday. You hit the ATM for a cash advance on your credit card so you can get by until the end of the month, or worse yet, you sign-up for a payday loan, plunging yourself even further into the vicious cycle. This is not a plan! This is a band-aid!

Establish Goals

Goals are nothing more than a performance benchmark. Without goals, you have no means of measuring your progress.

Make whatever goals you set realistic. Nothing torpedoes ambition like missing a goal. For this reason, in the beginning, set modest goals. Just getting through the month with no borrowing is a real accomplishment. Remember—budgeting and planning are processes, not overnight cure-alls. When you master one goal, more aggressive goals can follow, like setting aside some savings.

Performance Benchmark

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Next Steps

Living within your means, which is nothing more than making the money you receive on payday last until the following payday, is only the first step. Accomplishing this critical first step, as stated previously, requires a budget and the establishment of short term goals. But laudable as this may be, you are still living paycheck to paycheck.

Oh, you've made progress—you are living paycheck to paycheck on your own money rather than borrowing money and increasing your debt. So what's next? Next steps hinge on how you define your medium and long term goals. No one can define these for you, certainly not me!

Maybe your end goal is a comfortable retirement, an early retirement, travel, a huge bank balance, a dream house, unfathomable wealth or all of the above. Regardless of your

goal, you must have a plan, a roadmap to get you to the destination you have chosen, and this is much more complex than drawing up a budget. The following tips are critical ones, regardless of what your medium and short term goals may be, and will help you achieve success beyond your wildest dreams.

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