Are you feeling overwhelmed with your finances? Following these five strategies can help you take control of your expenses and become a safer and more responsible consumer.

1. Create a Budget

Budgeting allows you to create a spending plan to keep track of your income and expenses. Begin by collecting information, then organize it and identify spending leaks to balance the budget. Start with a one-month span. Calculate your expected income, then put together a list of expenses you must pay. When you subtract the "must-pay" expenses from the expected income, you have an idea of the money left for things or experiences you would like. A budgeting tool--such as The Build-a Budget Book (listed in the resources section)--may help you establish and adhere to a plan.

- If you are a part of a household with children, invite them to help with budgeting at an age-appropriate level. Including them in this process can foster responsible spending and begin their journey toward financial literacy. For example, helping them understand the difference between "wants" and "needs" can sometimes be especially helpful.

- If you are working with another household member or business partner, be sure you each participate in this step. When both of you are involved in budgeting, you are more likely to align priorities for spending and saving.

2. Set SMART Money Goals

SMART stands for Specific, Measurable, Attainable, Realistic, and Timely. SMART goals help you save for things in a very clear way, where you can see results almost immediately. Identify goals and create a written plan of action. Begin with something like the following: "We will pay $100 extra by the first of each month on our $2,000 home services credit card debt." Whether your goal is to pay off the entire balance or (if it is more realistic) to reduce the balance by a specific amount by the end of the year, you can be successful with your goals when they are SMART.

- If you are involving someone else in this process, ask them to review your plan to see whether it is as SMART as it can be.

- And SMART money goals aren’t just for adults. If you have younger children, encourage them to identify and create SMART money goals of their own. For example, "I will save $100 by the end of the year by putting aside some of the money I make doing chores.”
3. Use Credit Cards Wisely

Credit cards can pose potential risks when you don't use them carefully. Although they can provide easy access to money and other benefits if paid off every month, credit cards come with hidden risks that are important to understand. Often the interest and fees you pay on unpaid balances can snowball over time and ultimately impact your budget and overall credit. Take time to review credit card statements and check your FICO scores to maintain good credit.

- An effective way to understand your FICO score and your credit health is by annually requesting a copy of your credit report. According to the Consumer Financial Protection Bureau, everyone has the right to receive one free copy per year from each of the three credit reporting agencies. See the resources at the end of this list for more information.
- Use this opportunity to discuss credit card responsibility (such as practicing patience and budgeting for items we want) with others in your household and, if applicable, your business. The old adage, ”There’s the easy way and then there’s the right way” might resonate with members of your family or business who are sometimes too quick to spend and incur unnecessary debt.

4. Use Debt Management Resources

Debt can cause enormous stress, making it feel impossible to escape once you are in it. Determine ways to manage existing debt by first identifying the total amount of debt. Fortunately, there are many options available to reduce debt. These may include paying high interest cards off first and consolidating or negotiating your debt. Check with some of the Penn State Extension resources at the end of this list for help.

- Be sure to discuss this step with other decision makers in your home or business. It’s important to make sure you all agree on what constitutes the best financial decisions for paying down debt.

5. Protect Your Identity

An important strategy to help you stay financially healthy is to protect your identity. Be aware of scammers who may try to steal personal information to drain bank accounts and open new financial accounts. Protection measures may include installing security software on computers, using strong passwords, avoiding the unnecessary sharing of your personal information, keeping personal belongings in a safe place, and monitoring your credit reports.

- Discuss with others in your household (including children) and any business partners the importance of protecting their identities. Start by teaching children not to share their personal information—such as their birthdate, address, and phone number—online.

- As with other strategies, some of the following resources can help you plan.

Financial Resources

- Penn State Extension offers The Build a Budget Book, a workbook for creating and maintaining a budget and setting goals.
- Explore more information about these topics at the Sokolov-Miller Family and Financial Life Skills Center.
- To check credit history, consumers can obtain an annual credit report from each of the three credit reporting agencies: Experian, Transunion, and Equifax.
- To learn more about money management resources, Penn State Extension offers a webinar series called Your Money Matters. For more information about upcoming classes, check out the Penn State Extension website.

The harsh reality is that the cost of living is increasing for everyone. If you are budgeting for yourself, these steps can help you create a safer, more responsible fiscal future. Additionally, if you live as part of a larger household or have partnered with someone in a business, these strategies provide opportunities to discuss managing and protecting money in an appropriate way. Together, you can all work to stretch every dollar and become more savvy consumers.

Reference

Consumer Financial Protection Bureau. (n.d.). How do I get a free copy of my credit reports?

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