

Focus On What You Can Control

When the markets seem volatile and out of control, my best recommendation is to focus on what you can control like creating or updating your budget. I know most individuals groan when they hear the word budget. I am hoping to change your perception and encourage you to start one to benefit your Financial Plan. Budgeting is for everyone. Regardless if you are saving for retirement or spending in retirement; you need to know where your money is going. Budgeting allows you to find more money to save or to reduce debt. I recommend pre-retirees begin to live on a budget as if they are already retired and save any extra so that the impact of a reduced income is not as significant. When you are retired having a budget helps you keep up with the unexpected expenses and allows you to save for dream vacations or hobbies.

Budgeting software typically tracks your expenses, and many options exist. Common ones that clients have used are Excel spreadsheets, Mint.com, and Quicken. I have used those in the past, and they did a good job tracking what I was spending. The problem with most budgets is that individuals create them and never update them. Simply tracking your expenses is only the first step in budgeting. Budgets should be dynamic. The next step is to know if you are over or under your budget. The overall goal of a budget is to see how much money is left over or how much you have overspent during the month then allow you to modify spending to have money left over next month. The last step is to achieve certain goals like saving more for retirement, reducing debt, or saving for your dream vacation.

I use You Need a Budget (YNAB). I find it much more enjoyable and dynamic than Excel, Mint, and Quicken. The setup process does not take much time, and after the setup is complete, your checking and credit card account transactions can be downloaded simply by using the import button. YNAB acts more like a dynamic cash flow by tracking my money plus reallocating my dollars proactively when I overspend in one category of my budget. For instance, I might have more home improvements

during the month now that I own an older home. YNAB allows me to move a portion of my dining out budget to home improvements to keep me from overspending. I also really like the philosophy of YNAB: "Give Every Dollar a Job, Embrace Your True Expenses, and Roll with the Punches." The goal is to simplify your budgeting by keeping one month of expenses in your checking account, so paying bills does not feel like you are living paycheck to paycheck. You begin to expect the unexpected expenses and can accommodate them in your budget. Also, an annual or semi-annual expense becomes a line item that adds up each month, so it is not a struggle to come up with a larger sum when your property taxes, home insurance, or auto insurance are due. YNAB has online tutorials and handbooks to help you succeed. There is also a smartphone app that works in conjunction with the online program to allow multiple users to access your budget so you can all be on the same page. You can try it risk-free for 34 days at www.ynab.com.

I am happy to help with your budget, or monthly cash flow, using any software that works for you. Please never hesitate to contact me if I can be of help with your budget or Financial Plan.

Kind regards,
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