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## What Is the Reverse Budgeting Method?

Sticking to a budget can be challenging. You set goals, but impulse buys and variable expenses can make it difficult to stay on track.

Are you looking for a different strategy for hitting your financial goals? Reverse budgeting could be the answer.

### What is reverse budgeting?

Reverse budgeting is also referred to as the “pay yourself first” strategy. With this strategy, you put money into your savings and investment accounts immediately after you get paid.

Any money left over goes toward your living expenses and optional expenses.

### How does this method work?

Reverse budgeting takes careful planning. You need to be sure that the money you have after prioritizing saving and investing is enough to cover your day-to-day needs.

You can approach reverse budgeting by:

- **Evaluating your spending.** How much do you need for monthly bills? How much goes toward nonessential expenses? Do you need to make any changes?
- **Setting your savings and investment goals.** Figure out what’s realistic for your current situation and future planning.

- **Paying yourself.** When you have a handle on your spending and goals, you can determine how much money will go into your savings and investment accounts at the beginning of each month. If you want help sticking to this approach, you can set up automatic transfers.
- **Remaining flexible.** Things change, and your reverse budgeting strategy (like any personal finance strategy) may need to be adjusted over time.

### **Who can benefit from reverse budgeting?**

Because it's a relatively low-maintenance approach, this strategy could be the right fit for people with a steady income and minimal debt. People who struggle to stick to a regular budget may also find this approach helps hold them accountable to their goals. If you have questions regarding your finances and future planning, please get in touch.

***Helping clients get back to the basics of building and maintaining wealth in a tax efficient way.***



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