

Spending Priorities

Even if you are committed to spending changes, prioritizing expenses as the cash comes in can still be a challenge. One way is looking at each of your expenses and asking the questions:

1. Is it a need or a want? A need is something you must have to live, i.e., food, clothing, shelter. A want is everything else; the nice-to-haves.
2. Do I have control of when the payment is made, i.e., is it an off the top deduction from my pay? Do I have control over the amount; is it a variable expense?
3. Is there a risk or consequence if not paid, i.e., repossession of a car if the loan payment is not made or garnishments from pay?

Another way to prioritize expenses is to use a Spending Pyramid. This is a visual way to see your expenses, with the base(#1) containing the most important items needed for financial stability. If you don't pay those items, your pyramid would be unstable and likely to fall. Fill in the rest with your expenses according to their importance (to you) for being paid. Keep in mind that the top of the pyramid (#4 & #5-wants) should be those things that, if removed, won't affect the stability of your pyramid. Remember, there is no right or wrong way to fill in the pyramid. You are in control!

