FEATURE

By K.J. Bannan

Budget for this stage in lifeNew job. New house. New addition to the family. Retirement. Each of these life stages can change how you look at your financial status. The good news, however, is that a creating and following a basic budget can help keep your financial goals on track — as long as you customize your spending plan so it meets your current demands. The new year is a great opportunity to start.

“The biggest mistake people make at every era of their life is not planning ahead,” said Mary Vallieu, a money coach who uses the moniker Ms. Value. “Many times, people think they want to live in the moment and not worry about the next era until they get there. There will be emergencies at every stage of your life that may cause a setback, but if you plan ahead and save for those emergencies, you can keep your momentum going forward.”

A budget — a calculation that compares what you earn with what you spend and save over a specific period of time — requires you to make a candid assessment of your financial life. It gives you a realistic monthly and yearly financial to-do list and spending plan. **Discover more details here** Having a balanced budget ensures you have enough to pay your bills and sock away money for short- and long-term goals. And it’s a process that’s not one and done, personal finance coach Rita Soledad Fernández Paulino said.

“Budgets should be flexible. They should be adaptive as they are not going to stay the same throughout your entire life. The one thing that should stay consistent is always budgeting for your proactive self-care expenses. And even those expenses are going to look different throughout your life.”

Want to learn what you should be factoring into your budget as you move through your life stage? Read on to learn more.

Starting a new job

A new job can change your spending and saving habits, Vallieu said. First, your income may change — that’s a big deal for your savings goals. Spending may change, too. For instance, if you’re going into an office you may need to pay out more for gas, tolls, parking, new clothing, dry cleaning costs and daycare costs if you have children. There are costs for food and socializing with coworkers to consider. And then there are employment benefits that may tax your bottom line — literally.

“Even though you may have a higher salary at a new job, different benefits can impact your budget. Sometimes you may have to pay a higher share of your health insurance or may not receive a retirement contribution,” Vallieu said.

Starting a family

The Brookings Institution in 2022 estimated that it costs $310,605 to raise a child until the age of 17. The cost is significant when you bring a new baby home. The first year alone you’ll spend money on diapers, baby gear such as cribs and strollers, hospital or adoption costs, childcare costs. Some parents start savings accounts for their children — either a traditional savings account or a 529 College Savings Plan.

“Depending on your family size and health insurance plan, adding a child may increase the cost of your plan. Will you be able to breastfeed, or will formula need to be added to the budget? Some people decide to use cloth diapers where others choose to use disposable ones. Some people are lucky enough to get a lot of hand-me-downs from older cousins or neighbors that help with baby supplies and clothing,” Vallieu said. “If not, consider adding a certain amount every month to your clothing budget for the new baby as they grow so quickly.”

Starting a home

The cost of buying a home goes well beyond your down payment, mortgage payments and taxes, Fernández Paulino said.

Your budget will need to include an emergency fund just for house expenses. Paulino suggested putting away at least 1-3% of the value of your home. Factor in buying furniture for your new home. If you’ve been renting, you’ll need to keep in mind homeowner cost such as liability insurance, yard maintenance, and upkeep to your home.

Starting the Road to Retirement

When Bernadette Joy, a personal finance coach and CEO of CRUSH Your Money Goals, works with people to create budgets, she suggests that they lump their expenses into three categories:

1. Survive. These are basic living expenses.
2. Revive. These line items aren’t necessary but make life worth living.

3. Strive. This includes saving and investing for the future and paying down debt. In retirement, you'll need more for the first two categories.

"I would say the biggest difference in retirement versus the other stages is that you won't hopefully need to put as much away in 'strive' and have more for 'revive' because you're living more than working at this point," Joy said.

But that doesn't mean you won't need to take a careful look at your spending, Vallieu said. Many people think spending goes down in retirement, but that's not always the case. Healthcare costs may go up and having more free time may mean you're taking on more expensive habits such as traveling. Plus, you're not earning as much even if you're drawing Social Security and from an Individual Retirement account, 401(k) plan or pension.

Financial Wellness

When you're making a budget, it's good to have proactive tools on your side. Consider tools in the Credit Union's Financial Wellness program, such as The Navigator. The step-by-step program assesses your finances in less than five minutes and recommends additional tools, content, and courses to help you achieve your goals. Another Navigator tool – credit score monitoring – gives you free access to your credit report and credit score as well as analysis so you can keep your credit in top shape. You also have access to financial counselors and advice, all of which is complimentary, unlike other often expensive competitors.

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