

Personal Finance #2

Recently, we published a chart which outlined the 50/30/20 rule for personal budgeting.

Personal budgeting is essential because it helps you take control of your finances, achieve financial goals, and prepare for emergencies.

Personal budgeting allows you to gain a clear picture of your income, expenses, and spending patterns. By tracking where your money comes from and where it goes, you can identify unnecessary expenditures and make informed financial decisions, which is the first step toward financial control and stability.

A personal budget helps you set and prioritize financial goals, whether it's saving for a home, retirement, education, or a vacation. By allocating money toward these goals, you can systematically work toward achieving them without compromising your daily financial needs.

Budgeting highlights spending patterns and helps you identify areas where you may be overspending. This awareness allows you to make adjustments, reduce wasteful expenses, and redirect funds toward more meaningful financial objectives.

To develop a personal budget, here's some tips:

Tracking Expenses

Before building a budget, spend 30 days tracking every dollar. Categories specific to construction workers to watch:

- Tools and equipment purchases (personal tools vs. employer-provided)
- Work boots, safety gear, PPE costs
- Vehicle maintenance and fuel (especially for job-site commuting)
- Union dues, licensing fees, continuing education
- Meals and drinks on job sites

Building a Zero-Based Budget

Every dollar of income is assigned a purpose. Income minus all allocated expenses equals zero. Steps:

1. List all monthly income sources (net)
2. List all fixed monthly expenses (rent, car payment, insurance)
3. List all variable monthly expenses (food, gas, entertainment)
4. Subtract total expenses from income
5. Allocate any remaining amount to savings or debt paydown
6. Adjust categories until income minus expenses equals zero

Emergency Funds

Financial advisors recommend 3 to 6 months of living expenses in a liquid, accessible savings account. For construction workers with seasonal employment, 6 to 9 months is preferable.

- Keep emergency funds separate from checking accounts to reduce temptation
- High-yield savings accounts (HYSAs) offer better interest rates than standard savings
- Do not invest emergency funds in the stock market — they must be available immediately

