



Regions Next Step Podcast

Better Budgeting: Budgeting for Financial Fitness

In this podcast, Alicia Somers, Financial Wellness Relationship Manager for Regions Bank in Jacksonville, Fla., talks about the best practices for creating a budget to help you improve your financial health.

Hear Alicia's perspective on the following topics:

- Assessing your financial fitness
- Setting financial targets and goals
- Breaking down your goals into actionable tasks

Episode Transcript

Narrator:

You're listening to the Next Step Podcast, "Budgeting for Financial Fitness" – part of our Better Budgeting series presented by Regions Next Step – advice, tools and resources to help you get closer to reaching your unique financial goals. Today, we're going to learn the ins and outs of how to create and balance your budget with Alicia Somers, Financial Wellness Relationship Manager for Regions Bank in Jacksonville, Florida. Alicia, it's a pleasure to have you join us today.

Alicia Somers:

Thank you so much! My pleasure to be here.

Narrator:

Fantastic, well let's get into it! So, when it comes to creating a budget, what is the first step?



Alicia:

As a best practice I think it's smart to assess your financial fitness at least once every year. This will help you better understand your weaknesses and improve on those. However -- the first step in creating a budget is to take your own "financial temperature." You'll want to get a general idea of your financial status by totaling up your assets, such as bank account balances, retirement savings, personal property and investments. Then, subtract that number by your liabilities which could be credit card balances, student loan debt, car loans, mortgages, and so on. // The number you'll end up with is what we call your net worth. A high number indicates financial health, while a low number could indicate a potential problem.

Narrator:

Does that number tell the full story of your financial fitness?

Alicia:

That's a great question! That number does not tell the whole story. For example -- you could own a lot of property and have no liabilities but have very few liquid or cash assets. However, to help better assess, you could determine how long you would be able to pay your bills if you lost your income by calculating your monthly living expenditures ratio. To do this, add up all your annual expenses and divide by 12 to determine your monthly expenses. Then, add up your accessible cash and savings and divide that by your monthly expenses. Ideally, you would want this number to fall between at least 3 and 6, meaning you could cover three to six months of living expenses if for some reason you lost your income.

Narrator:

Those are some great insights. And I know Regions has a financial planning checklist with other simple equations that can help our listeners gauge their financial health. Now -- once you have determined your financial health, what is the next step in creating and balancing a budget?

Alicia:

After you've determined your financial health, the next step is to go ahead and set your financial target or goal. These goals could range from paying off your student loans to buying a new car or home. To set your financial goals think about where you want to be in 5 years and what you need to achieve financially to get there. Then, write down those goals along with a target date for completion.



Narrator:

There are definitely times in life when a goal could feel overwhelming or unachievable, right? Is there a way to break those goals down into smaller targets?

Alicia:

100%! To truly balance your budget, you're going to want to break down your goals into itemized or smaller tasks that you can do on a weekly or monthly basis. Don't forget to track and celebrate those milestones along the way.

Narrator:

What are some ways for people to track their progress along the way to ensure that they are staying on track to accomplish these goals?

Alicia:

It is important to closely track your monthly expenses. If you find you're spending more than you need to, identify those purchases and find a solution. For instance, if you're spending too much on weekday lunches, fit pre-making meals into your schedule. It's also imperative to track your progress against your monthly and weekly milestones. This type of proactive budget planning can help you strengthen your personal finances and help you make progress toward your savings goals.

Narrator:

Overall, what do you think are the most important factors in keeping a balanced budget?

Alicia:

Managing your budget takes practice. I think one of the most important factors is being honest. Be honest with yourself about where your financial health stands, and set achievable and realistic goals for yourself based on your financial health.

Narrator:

Well they do say that honesty is the best policy and seems like that definitely also applies here! Alicia, this has been so helpful. Thank you for joining us today and lending us your insights.



Alicia:

It was my pleasure!

Narrator:

And that concludes this Better Budgeting podcast. You can find additional information about budgeting and saving online at www.regions.com/nextstep. No matter your goals – Regions will help you with each step you want to take. Thank you for listening.

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