Why Should You Have a Cash Flow Plan?

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Budgets, Cash Flow Plans, Balanced Checkbooks... Oh my! I know these words invoke a lot of excitement in most people. Wait... you don’t get excited when you think about those things? Budgeting is for stuffy, boring people, right? Wrong! Even if budgeting isn’t exciting, it’s necessary and important for everyone.

Money is called currency because it is always moving. Think about it... Money enters your checking account, and you immediately start paying bills, swiping your debit card, or withdrawing cash. When you don’t have a plan for your money, it is easy for it to flow straight to impulse purchases or frivolous things. When you have a plan, every dollar has a name, and you know just how you will spend it before it ever enters your hand. This allows you to control your money instead of letting it control you. Instead of living in crisis mode, you can be prepared for any bills that might come your way.

Still not convinced? Personally, I feel like my money goes further when I have a plan for it. I am able to give, save, cover all of my monthly expenses and still have money to do the things that I want to do. It’s a great feeling. Creating a Cash Flow Plan can also show if you are overspending on a certain area. When I made my Cash Flow Plan, I went back and looked through my checking account statements for previous months. One thing became very clear to me. I spent WAY too much money eating out at restaurants each month. As much as I love going out to eat with my friends and co-workers, it made me realize that I need to limit these outings. Seeing just how much was spent eating out and thinking about other goals I could meet by limiting that budget area made me cut back big time! My Cash Flow Plan also removed a lot of stress from my life. I no longer have to worry if I will have enough to pay for everything at the end of the month. Every dollar in my checking account has a name and a purpose.

I’ve had a Cash Flow plan for two and a half months now. The plan is still definitely far from perfect. Sometimes a pair of shoes calls my name, and sometimes I decide to go out to eat even when my restaurant budget is at zero for the month. I’ve made simple changes from month to month to try to eliminate these issues. Even though it’s still far from perfect, my Cash Flow Plan has helped tremendously. I’m now able to save almost double what I was previously saving each month. I’m much more confident in my finances!

I use Dave Ramsey’s Financial Peace University® Cash Flow Plan worksheet to make my Cash Flow Plan. Check out the Education tab of ecocu.org to find a link to it! This worksheet allows you to list each line item and helps you calculate what percentage of your income you spend on each category.

Trust me- I know that the thought of writing down monthly expenses compared to how much you make each month can be scary and daunting. What if you don’t make enough to cover monthly expenses and still do all of the things you want? What if your monthly paycheck doesn’t even cover all of your bills and debts? Regardless of if you want to face it or not- cash flow planning is necessary. There is never a better time to start making a Cash Flow Plan than right now.

So what are you waiting for? As always- at eCO, we are here to help you along the way!