



FINANCIALLY, MOST PEOPLE FLYING BY THE SEAT OF THEIR PANTS

Very Few Use Detailed Spending Plan, According to New National Survey

CHICAGO, IL – February 19, 2007. A small fraction (13 percent) of U.S. households use a detailed budget to guide their spending, but people who use one say it enables them to “take charge” of their finances and helps them save. Those are among the key findings of two new research studies commissioned by personal finance writer/speaker Matt Bell and conducted by the market research firms Synovate and Quester.

The Synovate survey asked a nationally representative sample of 1,000 adults whether their household uses an income and expense **plan**, how thoroughly they **track** their cash flow, and how often they **evaluate** it. As the chart below indicates, most households do not use a budget to plan their spending.

Which statement best describes your household's budget—that is, your income and expense plan ?	
Have a detailed written plan for income and expenses.	13%
Have a general written plan for income and expenses.	34%
Do not have a written plan for income and expenses.	53%

According to Bell, who runs the advice site www.moneypurposejoy.com, “Many of the marketing messages we encounter every day are designed to encourage impulse spending. Without the forethought that a spending plan provides, it’s all too easy to overspend and under-save.”

Households most likely to use a detailed spending plan include those who are: earning \$50-\$75,000 (16%), located in the Northeast (16%), self-employed (16%), non-white (17%), retired (17%), age 65+ (18%), and especially those with a head of household who has more than a bachelor’s degree (21%).



As the chart below shows, households that use a detailed spending plan are, by far, the most likely to **track** their income and expenses throughout the year (79 percent do so).

Which statement best describes your household's income and expense tracking that is, your recording of income and expense transactions including cash, check, credit card, and debit card transactions?				
Respondents	All	Use Detailed Plan	Use General Plan	Do Not Use Plan
All income and expenses are tracked throughout the year	36%	79%	38%	24%
All income and expenses are tracked for a limited amount of time each year	6%	6%	9%	3%
Track some income and expenses, but do not feel the need to track them all	26%	14%	36%	22%
Try to track all income and expenses, but always seem to fall behind	14%	1%	13%	17%
Do not track income and expenses at all	19%	0%	4%	33%

Households that use a detailed spending plan are also much more likely to **evaluate** their spending at least once a month (77 percent).

Which statement best describes how often your household evaluates actual income and expenses versus planned income and expenses?				
Respondents	All	Use Detailed Plan	Use General Plan	No Plan
At least once a month	36%	77%	41%	23%
At least four times a year	14%	11%	19%	11%
At least once every six months	12%	10%	18%	8%
At least once a year	10%	1%	12%	12%
Less often than once a year	5%	0%	5%	6%
Do not evaluate actual spending versus plan	24%	1%	7%	40%



Despite the availability of sophisticated budget software programs, most budgeters use paper and pencil. As the chart below shows, even electronic spreadsheets are more popular than full-featured budget programs.

Which one budget system do you currently use most often?		
	Use Detailed Plan	Use General Plan
Paper and Pencil	51%	58%
Electronic Spreadsheet (like MS Excel)	23%	17%
Budget Software (like Quicken or MS Money)	21%	15%
Envelope System	1%	7%
Other	4%	3%

A separate study conducted for Bell by the qualitative market research firm Quester garnered insights into the attitudinal differences between budgeters and non-budgeters.

Non-budgeters used words like “restrictive,” “rigid,” and “constraining” to describe budgets. Two non-budgeters explained their resistance to using a budget by saying, “You have to think before you buy,” and “I cannot spend my money freely.”

Some non-budgeters acknowledged that they would benefit from the use of a budget. One said, “I think it would open our eyes to how much money we waste each month on non-essentials. I think I would recognize that we could easily pay for all expenses without ever having to use credit cards.” As for why they don’t use a budget, this person explained that “trying to stick to it would not be easy,” and tracking how much is spent in each category “seems like a pain.” This same person acknowledged that they are not saving enough for their children’s future tuition costs.

By contrast, budgeters felt “in charge” of their money, said a budget “allows me to control my spending,” “keeps me in a position of knowledge and control,” “allows you to plan for the future,” “helps me save money,” and helps keep emotion out of spending decisions. With a budget, one respondent said,



"you always know where you stand financially." Another described a budget as "a reality check" and explained, "Just because I want it doesn't necessarily mean that I can afford it." Another said, "You spend money wiser when you know where it's going." Another said using a budget "means being able to go out and spend money without worry about going into debt."

Asked about the downside of using a budget, several budgeters mentioned that developing a spending plan takes time and it's not always easy to keep track of expenses. One budgeter, a single woman in her early 20's, pointed out that, "It's not much fun having self-control as opposed to buying what you want. I'd like \$400 shoes, expensive jeans, and to get my hair done constantly, but it's not practical for me," she said. While she mentioned that using a budget can be "boring," she also said she is "very confident" about being able to achieve her financial goals, which include buying a house.

One budget user said her budget "forces me to confront my debt when maybe it would be nicer to avoid it. It places limits when, of course, it's more fun to spend freely." On the other hand, the same respondent said her budget "makes sure I pay bills on time to avoid late fees and interest hikes, and keeps me from overspending, bouncing checks, or finding myself with no cash before the next paycheck."

Bell often asks seminar participants to name the person they think best represents a budget. "Common answers among non-budgeters include Scrooge, the Grinch, Darth Vader, and even the devil," he said. "One person chose, 'my mother in law,' and I didn't get the impression he meant that as a favorable association. To me, the person who best represents a budget is the Rodney Dangerfield," Bell said. "Rodney never got any respect, and neither do budgets."

While the Quester study was limited to 30 people and should be viewed as qualitative, 86% of budgeters interviewed said they felt confident about achieving their financial goals; just 40% of non-budgeters felt that way.



ABOUT

Matt Bell is a personal finance writer and speaker. Through his web site, www.moneypurposejoy.com, he writes two free eNewsletters about wise money management. For comments about the findings in this news release, contact Bell at 708-447-8022.

Synovate (www.synovate.com), the market research arm of Aegis Group plc, generates consumer insights that drive competitive marketing solutions. The network provides clients with cohesive global support and a comprehensive suite of research solutions. Synovate employs over 5,500 staff in 108 cities across 50 countries. For the budget research, Synovate used its eNation service, an online survey of 1,000 adults 18 years of age or older in the contiguous U.S.A. The sample is balanced to be representative of the general population based upon region, gender, age, and household income data from the U.S. Census Bureau.

Quester (www.questerresearch.com) is a leading qualitative research organization, utilizing proprietary software to conduct conversational online interviews and specialized linguistic analysis to understand the nuances of consumer word choice. For this survey, Quester used its Socrates simulated moderator to conduct 30 online interviews.

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