

# Trade-off budgeting is a good money-saving technique

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(PhysOrg.com) -- Budgeting and saving are words we hear regularly, but they can seem incredibly daunting when unsure how to do them.

Deena Katz, associate professor of personal financial planning, has a philosophy she calls trade-off budgeting. Trade-off budgeting is meant to encourage people to look at fixed money, the amount of money that must come out every month for essentials, and discretionary money, the money left over.

“If you go on a diet the first thing you think of is what you can’t eat,” Katz said. “When you go on a budget the first thing you think of is what you aren’t going to be able to do anymore.”

Trade-off budgeting is not intended to be resisted or imposing; it is recognizing what one is willing to give up in order to save for something else.

“Money has an amazing ability to fly out of your pocket the minute you put it in,” Katz said. “You want to make sure you have money that is specifically pinpointed for what you need.”

[Saving](#) money is more meaningful when there is a goal to save for. Katz remembers as a child saving 10 percent of her allowance, but it had little meaning until she wanted a new toy. The same goes for people saving to buy a house, or for retirement, because their money is going toward a specific purpose.

“In a budget, most of the time, people start out and have no clue where their money is,” Katz said.

Knowing what debt and spending look like individually will help determine the financial objectives one plans to make and the trade-offs that must be endured to get there. Consciously making decisions about [money](#) will help work toward financial goals.

Provided by Texas Tech University

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