

Managing Expenses in a Time of Rising Costs



With the cost of living increasing at an alarming rate while wages struggle to keep up, managing monthly expenses can feel overwhelming. Many people are forced to make difficult decisions about which bills to pay first. While there's no magic fix, strategic financial planning and smart budgeting can help you regain control and prioritize your expenses with confidence.

Step 1: Understand Your Financial Situation

Before prioritizing your expenses, get a clear picture of your finances by tracking:

- ✓ Income – List all sources of income, including wages, benefits, or side earnings.
- ✓ Fixed Expenses – These are necessary, recurring costs like rent, utilities, insurance, and debt payments.
- ✓ Variable Expenses – These fluctuate month to month, such as groceries, gas, and phone bills.

- ✓ Discretionary Spending – Non-essential expenses like dining out, streaming subscriptions, and hobbies.

Use a spreadsheet, budgeting app, or financial journal to track your income and expenses weekly or monthly.

Step 2: Categorize and Prioritize Your Expenses

One effective way to prioritize your expenses is by ranking them in order of necessity. You can use The ABC Method:

- A (Essential Expenses): Must be paid to meet basic needs (housing, utilities, food, transportation).
- B (Important Expenses): Help maintain work, education, or financial security (internet, phone, debt payments).
- C (Non-Essential Expenses): Nice to have but not required (entertainment, gym memberships, travel).



Or, rank expenses on a scale of 1 to 10, where 1 is the most critical and 10 is least important.

Step 3: Prioritize Your Bills

If you're unable to pay all your bills at once, consider this order of payment:

1 Basic Necessities (Survival Needs)

- **Housing (Rent/Mortgage)** – Avoid eviction or foreclosure. Contact your landlord or lender if struggling to pay.
- **Utilities (Electric, Water, Gas)** – Keep essential services running. Inquire about budget billing or assistance programs.
- **Food and Groceries** – Plan meals, use coupons, and explore food banks if needed.
- **Transportation (Car Payment, Gas, Public Transit)** – Essential for getting to work and daily responsibilities.

2 Financial Stability & Protection

- **Insurance (Health, Auto, Home)** – Protects against unexpected expenses. Review policies for cost-saving adjustments.
- **Debt Payments (Credit Cards, Loans)** – Pay at least the minimum to avoid penalties and credit score damage.
- **Childcare** – If applicable, ensure childcare costs are covered to maintain work stability.

3 Flexible & Lower-Priority Expenses

- **Phone & Internet** – Essential for work and communication but may have budget-friendly options.
- **Subscriptions** (Streaming, Gym, Memberships) – Pause or cancel if needed to free up funds.
- **Entertainment & Non-Essentials** – Consider cutting back on dining out, shopping, or vacations temporarily.

Step 4: Communicate & Seek Help

Ignoring unpaid bills won't make them disappear. If you're struggling to make payments:

- **Contact creditors and service providers** – Many offer hardship programs, payment plans, or temporary relief.
- **Explore assistance programs** – Government and nonprofit organizations offer housing, food, and utility aid.
- **Seek professional guidance** – Financial counselors can help you create a repayment strategy.

For more information on your rights regarding debt collection, visit consumerfinance.gov/consumer-tools/debt-collection.

Step 5: Adjust & Plan for the Future

- Review your budget regularly – Income and expenses change, so adjust your priorities as needed.
- Set SMART financial goals – Example: "Save \$500 in an emergency fund over six months."
- Consider income-boosting opportunities – Freelancing, side gigs, or negotiating a raise can help cover expenses.

Final Thoughts

Prioritizing your expenses is an ongoing process. By understanding your financial situation, making informed decisions, and seeking support when needed, you can navigate financial challenges with greater confidence. Small, consistent steps can lead to long-term financial stability.