



CREATING A SUCCESSFUL TRAVEL BUDGET

Chances are, you already have a destination in mind for your next vacation. Statistically speaking, chances are even greater that you have not created a budget for the trip. Most American travelers will only create an estimated amount for the total trip cost after they decide on the destination, but very few create a realistic budget ... even fewer stick to it! According to the Detroit Free Press, 68% of Americans overspend on their vacations! Why? Because they fail to create a realistic budget and plan ahead for travel expenses. As your travel advisor, I want to help set you up for success!

Some questions to consider when creating your travel budget: What goes into deciding how much to spend? How do you decide how much to spend in each area? Most importantly, how can an effective budget keep you from blowing your budget? Continue reading to learn about our recommendations and how-tos for successfully budgeting for travel.

Before you go any further, it's important to know how to set your overall budget, no matter the destination. A great rule of thumb is to budget 10% of your annual income to travel. Most Americans spend anywhere from 5-15% annually on travel. Whether you choose to use an annual bonus, or set aside money from each paycheck, this is a great way to determine your total trip budget. If you travel more than once a year, you will need to divide this total accordingly.

Next, consider the destination. We know that you are already daydreaming of your next trip. That's great! You will need to know a bit about your destination so you can properly budget for it. What do you know about this destination? Have you been there before? If not, your trusted travel advisor can help you determine a realistic budget for this destination with you.





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You've got the destination and your total budget. Now let's get in to the nitty gritty: how do you allocate expenses accordingly? We like to follow a basic budgeting rule called the 50/30/20 rule, but with a few modifications specific to travel so you do not become another "I overspent on vacation" statistic. We also encourage you to "guess high" on your numbers to stave off any surprises later. It looks like this:

50%- Transportation and Accommodations
30%- Food and Activities
20%- Incidentals

50%: TRANSPORTATION & ACCOMMODATIONS

Half of your budget should be for travel and accommodations. This is: airfare, resorts/hotels, car rentals, gas for said car rental, and parking. This is a great place to start when creating your budget and is usually the easiest to forecast. Due to the current climate of air travel, you may want to consider overestimating on this item!

30%: FOOD & ACTIVITIES

Food equals all meals, including dining out, groceries, tips, drinks, and snacks. Activities means excursions, activities, tickets and passes. This category is where most budgets go wrong because travelers typically do not allocate enough budget. Not all destinations are created equal- dining and groceries can vary greatly by destination, so do your research. Activities tend to be a little easier to predict, but also make sure you allow for any in-the-moment/in-destination items that may pique your interest.

20%: INCIDENTALS

There are several things that fall under incidentals: travel insurance, tips and gratuities, resort fees, baggage fees, pre-trip expenses like passport renewals, souvenirs, and other one-off items that you may not always be able to forecast. It is important to budget for the unexpected! By planning ahead and adding it to your budget ahead of time, you'll save yourself the stress during travel. This is also a great place to have a line item for having cash on hand. We suggest you plan for \$50-100 per day to use for tipping or small purchases.





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Using our suggestions above, here's an example of a vacation budget based on two different annual salaries. We use the 50/30/20 rule for the major travel categories. We also show you how you can plan within each category.

		EXAMPLE #1: TRAVEL BUDGET: \$18,000	EXAMPLE #2: TRAVEL BUDGET: \$10,000
Total Annual Income		\$200,000	\$100,000
Monthly Amount to Save over 12 months:		\$1,500	\$834
Item	Budget %		
Transportation & Accomodations	50	\$9,000	\$5,000
Air	17	\$3,000	\$1,700
Hotel/Resort	25	\$4,500	\$2,500
Other	8	\$1,500	\$800
Food & Activities	30	\$5,400	\$3,000
Food	17	\$3,000	\$1,700
Activities/Tickets	11	\$2,000	\$1,100
Other	2	\$400	\$200
Incidentals	20	\$3,600	\$2,000
Travel Insurance	7	\$1,200	\$700
Pre-trip Expenses	7	\$1,200	\$650
Uncategorized/Unexpected	7	\$1,200	\$650





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EMERGENCY FUND

In addition to the main travel budget categories, there is one more thing we recommend you include in your budget. It is wise to save up extra money in case of a travel emergency! No one wants something terrible to happen when you're traveling. (ALWAYS get travel insurance! You'll notice it's built into the budget above).

While travel insurance can cover major expenses, what about things not covered? From here, the worst-case scenario is that you must tap into this item for something unexpected during your trip, like dropping your phone in the ocean when you're parasailing or accidentally leaving your carry-on at your layover.

Best case: you budgeted so well on the rest of your trip that this becomes your starter fund for your next vacation! We recommend keeping this in a safe account that you can easily access in case of an emergency.

We hope you now have a much clearer picture of how to create a successful budget for your next trip. If you have any questions or are unsure about how to apply this technique to your next trip, we're here to help! Your vacation consultation is a great time to have this discussion. We'd love to assist you. Click [here](#) to schedule a free consultation today.

