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Budgeting over time and why it matters

A research brief looking at financial habits, barriers to budgeting, and outcomes

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Aussi disponible en français sous le titre: L'établissement d'un budget au fil du temps et son importance - Résumé de recherche sur les habitudes financières, les obstacles à l'établissement d'un budget et les résultats.

Foreword

Budgeting is a key behaviour identified in the National Financial Literacy Strategy as essential for building financial resilience. However, most Canadian research has relied on single timepoint measures of budgeting, which assume that budgeting is a consistent and uniform behaviour.

This research brief is based on a study by the Financial Consumer Agency of Canada (FCAC). The study is unique in that it takes a longitudinal approach to examine how Canadians' budgeting habits change over time and how different patterns—consistent budgeting, intermittent budgeting, and not budgeting at all—relate to financial outcomes. It also explores how these budgeting patterns vary across demographic groups, offering deeper insights into who budgets, who does not, and why.

Importantly, the study distinguishes between non-budgeters who face barriers to budgeting and those who report not needing to budget, offering a more nuanced understanding of why some people do not engage in this behaviour. It also examines how financial outcomes differ based on these underlying reasons, providing insight into the potential real-world implications of not budgeting. By capturing this diversity, this

research provides new insights into how Canadians manage their finances. Moreover, it identifies opportunities to better support financial well-being across different groups.

Study design

FCAC partnered with the free micro-learning app Optimity to measure budgeting habits over time. Three quizzes were administered to participants over a 2-year period. Participants were classified based on their reported budgeting behaviour: consistent budgeters, intermittent budgeters, or consistent non-budgeters. FCAC further divided consistent non-budgeters into those who felt budgeting was not necessary for them and those who faced barriers, like lack of time or not knowing where to start. Intermittent budgeters were further grouped based on whether they were actively budgeting at the end of the study, enabling analysis of how current budgeting habits related to financial outcomes.

Key findings

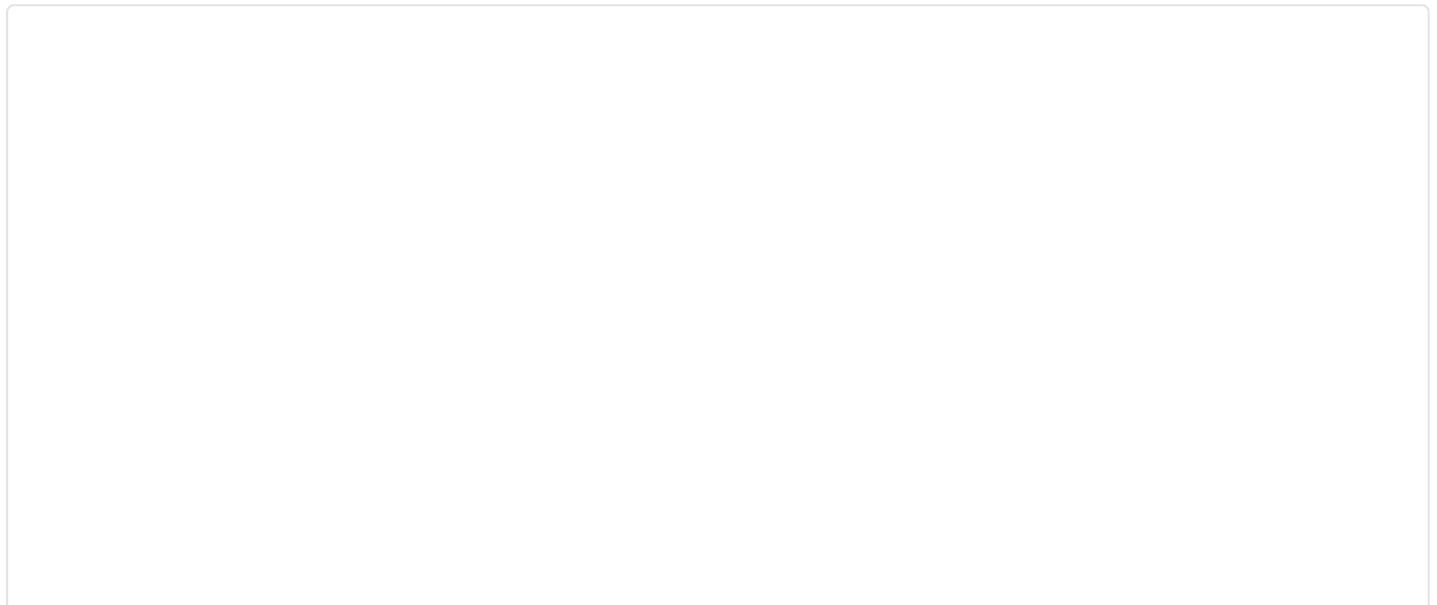
Budgeting was linked to better financial outcomes

Findings show that consistent budgeting was associated with a range of positive financial outcomes, including high confidence in budgeting and debt management, greater savings, and a strong ability to keep up with financial commitments. It was also linked to lower levels of both credit card debt and financial stress related to credit commitments. We used analysis techniques to look at these associations while setting aside the effects of relevant demographic factors like age, education and income. This helped us see whether budgeting habits themselves were linked to financial outcomes, rather than just reflecting differences in people's backgrounds.

While the data show a strong connection between budgeting and positive financial outcomes, it is important to note that these findings do not prove cause and effect. Nevertheless, a leading potential explanation is that budgeting plays a role in supporting these positive outcomes.

Budgeting some of the time, even if not consistently, was associated with advantages

Intermittent budgeting was also associated with meaningful financial advantages. Participants who budgeted—even occasionally—reported higher confidence in debt management, greater savings, a stronger ability to keep up with financial commitments, and lower financial stress related to credit commitments. Intermittent budgeters also reported higher confidence in budgeting during periods when they were actively budgeting, though their confidence declined when they were not budgeting. While these results do not prove cause and effect, they suggest that a perfect budgeting track record may not be necessary to experience benefits from budgeting. It is also worth noting that while those who budgeted some of the time fared better than non-budgeters who face barriers, their outcomes generally did not reach the levels reported by consistent budgeters or by non-budgeters who feel they do not need to budget.





Recommendations for Canadians

- ✓ **Start where you are:** Even small steps, like tracking spending or budgeting occasionally, can improve financial confidence and well-being.
- ✓ **Use tools that work for you:** Choose a budgeting method that fits your lifestyle. Use secure tools that protect your data and respect your rights.
- ✓ **Do not let barriers hold you back:** If budgeting feels overwhelming, look for simple, low-effort tools that help you get started safely and confidently.
- ✓ **Build confidence over time:** Regular engagement with your finances can help you feel more capable and in control.
- ✓ **Choose the strategy that works for you:** Some people report managing quite well without a formal budget. However, budgeting may still be helpful for addressing specific financial challenges, such as managing debt.

Barriers to budgeting matter

Consistent non-budgeters due to barriers (e.g., time constraints, feeling overwhelmed, or not knowing where to begin) reported the most challenging financial outcomes. This group reported the lowest levels of financial confidence, savings, and ability to meet financial commitments, along with the highest levels of financial stress related to credit commitments and credit card debt. While we cannot say for certain what causes these outcomes, these findings suggest that targeting the reported barriers—rather than simply promoting budgeting in general—may help improve financial well-being for those most at risk.

There is no one-size-fits-all approach

Non-budgeters who feel they do not need to budget stood apart from other non-budgeters. Despite not using a budget, they reported high levels of financial confidence, savings, and financial knowledge, along with low levels of financial stress related to credit commitments and credit card debt. This suggests that their existing financial circumstances and strategies were sufficient for positive financial outcomes without budgeting.



Recommendations for financial literacy stakeholders

- ✓ **Reduce barriers to budgeting:** Promote simple, secure tools that make budgeting easier for those who feel overwhelmed or short on time.
- ✓ **Tailor supports to different budgeting profiles:** Design programs that reflect the needs of consistent budgeters, intermittent budgeters, and non-budgeters facing barriers to budgeting.
- ✓ **Promote flexible budgeting approaches:** Encourage Canadians to budget in ways that fit their lifestyle and emphasize progress over perfection.

- ✓ **Build financial confidence:** Use strategies that help individuals feel capable and in control, such as celebrating small wins and normalizing setbacks.
- ✓ **Design for inclusion and resilience:** Ensure tools and programs are accessible to people with diverse needs, including those with limited time, income, or digital literacy.
- ✓ **Support further research:** Encourage studies with more representative samples and inclusive data, to deepen understanding of budgeting behaviours and improve tools and supports.

Conclusion

This study offers a more complete picture of how Canadians manage their money over time. Its findings are the first to highlight that budgeting is not a simple yes-or-no behaviour: many participants budgeted regularly, some never budgeted, and about one third fell in between, budgeting occasionally over a 2-year period.

Budgeting was generally tied to positive outcomes. Most importantly, it did not have to be perfectly consistent to make a difference: even budgeting some of the time was related to meaningful financial advantages.

Participants who kept a budget also reported feeling more confident about managing their money, with confidence tending to be higher among those who budgeted more consistently.

On the other hand, encountering barriers to budgeting—like not having enough time or not knowing where to start—was linked to the poorest outcomes, underscoring the potential benefits of supports that make budgeting easier and more accessible. The study's results also suggest that

budgeting is not universally necessary: those who feel they do not need to budget often appear to be doing well without it. Future research should explore how these participants maintain strong financial well-being without budgeting—potentially through alternative money management strategies or access to resources not measured in the current study, like savings, investments, or family support.

Overall, this research suggests that stakeholders should work to reduce barriers, offer flexible and inclusive budgeting tools, and build confidence through supports that meet Canadians' diverse needs. For Canadians who think a budget might help, the most important step is simply getting started, even on a small scale.

The full report is available on request. If you would like a copy, please email fcac.research-recherche.acfc@fcac-acfc.gc.ca.

From:

- **Financial Consumer Agency of Canada**

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