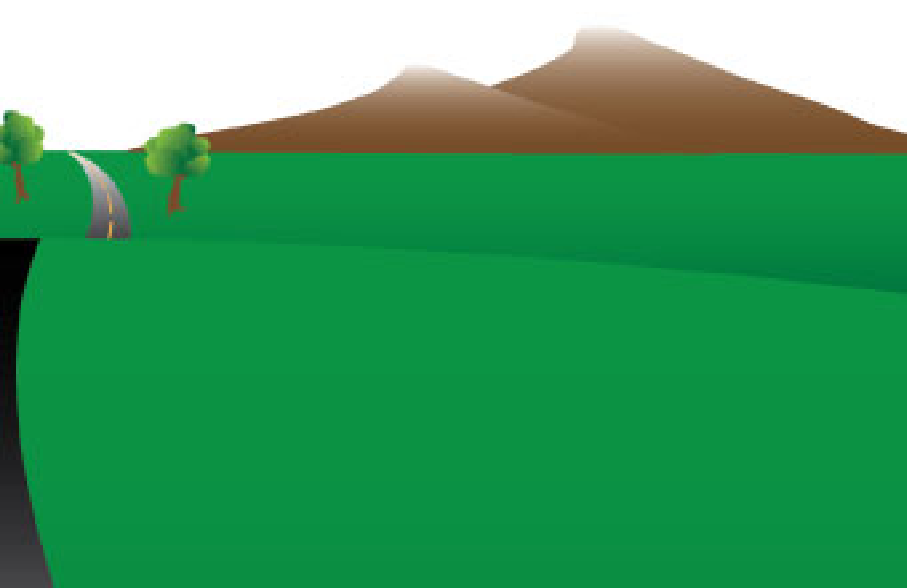
Money Management 1:

Building Your Spending Plan

Participant's Guide



About Bank On

Bank On Hampton Roads is truly a unique experience. Like a wellness plan for your finances, Bank On Hampton Roads offers all the education, support and encouragement you need to launch your financial plans. In this 10 month program, participants are encouraged to take the financial challenge to:

- Increase Income
- Grow Savings
- Reduce Debt
- Improve Credit Score
- Protect Assets

The way Bank On Hampton Roads works is you attend one class per month and meet with a personal financial coach once per month. In class you will learn some of the strategies for overcoming paycheck to paycheck living and speedy ways to reduce debt and see your savings grow. As you meet with your financial coach, you will build a financial plan centered on your goals and your dreams. With the combination of knowledge and improved financial management techniques, you can see your dreams become reality!

Bank On Hampton Roads is one of over 70 programs across the United States organized to improve your financial opportunities by building relationships with trusted financial partners and empowering you to take greater financial control.

Classes begin in January, April, and September and the program is absolutely free to the participant.

Many of Bank On Hampton Roads resources are available online at www.bankonhr.org.

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Welcome

Welcome to the *Money Management 1: Building Your Spending Plan* lesson! The most important thing to do with your money is to give it a plan. A spending plan. A cash-flow plan. A budget. Call it what you will, but having a plan for how you spend money will set you free to actually enjoy it.

Objectives

After completing this module, you will be able to:

- Understand the benefits of developing a written spending plan
- Understand the importance of starting with your goals
- Set S.M.A.R.T goals
- Understand how to plan for periodic expenses
- Categorize expenses as they are tracked
- Take steps to create a spending plan

Participant Materials

This *Money Management* Participant Guide contains:

- Information to help you learn the material
- Tools and instructions to create goals
- A glossary of the terms used in this lesson

Pre-Test
Test your knowledge about financial management

1. Following a spending plan helps you:
a) Meet expenses in a given period of time
b) Control your financial situation
c) Save for your goals
d) All of the above

2. **In order to track your monthly spending habits, you should:**
a) Find ways to increase income
b) Write down what you buy or pay for each day
c) Find ways to decrease spending
d) Determine your monthly income and expenses

3. **Which of the following are examples of a variable expense? Select all that apply:**
a) Car payment
b) Health insurance premium
c) Groceries
d) Personal care expenses

4. Which of the following statements are true about periodic expenses? Select all that apply.
a) The amount of periodic expenses will be the same each month.
b) Periodic expenses do not occur every month of the year.
c) A cell phone plan is a periodic expense
d) Holiday spending is a periodic expense.

5. After you identify and write down your financial goals, you should: Select all that apply.
a) Evaluate and change your goals as necessary.
b) Select two to three main goals
c) Organize (prioritize)your goals.
d) Learn more about implementing these goals.
e) All of the above.

Financial Difficulties are common

In 2017, CareerBuilder conducted a study which found that 78% of Americans report living paycheck to paycheck. Paycheck to paycheck living means that there is no regular savings for emergencies, goals or periodic expenses and that expenses may actually exceed income on a regular basis.

FINRA Investor Foundation conducts a US Financial Capability Study which finds:

1. More than one in five Americans (21 percent) have unpaid medical debt, and women are more likely than men to put off medical services due to cost, such as seeing a doctor, buying needed prescriptions or undergoing a medical procedure.

2. Forty-six percent of Americans say they have set aside three months worth of living expenses in case of an emergency. But, nearly half of respondents with a high school education or less could **not** come up with $2,000 in 30 days in the event of an emergency (45 percent) compared to only 18 percent for respondents with a college degree.

3. Twenty-nine percent of 18 to 34-year-olds with a mortgage have been late with a mortgage payment, compared with 7 percent for the 55+ age group.

4. Hispanics and African-Americans are much more likely to use high-cost forms of borrowing like pawn shops and payday loans compared to whites—39 percent for African-Americans, 34 percent for Hispanics and 21 percent for whites.

The survey's full data set, methodology and related questionnaire are available at USFinancialCapability.org.

Why Create a Spending Plan?

- A spending plan helps you direct funds toward your financial goals, so you can see your goals become reality.

- You can save for future needs, including unexpected and periodic expenses. That savings also helps build wealth for long term so you can meet future financial obligations as well as plan for retirement.

- A spending plan establishes priorities for your spending and makes you more aware of where money is actually going. With a spending plan, you can better control spending and reduce debt so that you can enjoy a better lifestyle.

- There isn't any room for wasteful expenses with a spending plan. Every dollar is given a job to do and you are the CEO of your personal finances. Because you are mapping out where your money will go before it is spent, you are now in the drivers seat and don't have to be dependent on what money is left over to determine what you can do.

- A spending plan is a road map for your money. The plan enables you to guide your money according to your needs and priorities. Think how much peace of mind you will have with a financial plan in place!

WHERE DID $$$ GO? **HISTORICAL RECORDS**
Spending Tracker
Bank Statements
Credit Card Statements
Computer/Online: Quicken/Mint/etc.

WHERE <u>SHOULD</u> $$$ GO? **FUTURE PLANNING**
S.M.A.R.T Goals
Emergency Savings
Periodic Expense Planner
Debt Repayment

A spending plan directs your attention from looking backwards at where your money went to looking forward; where <u>should</u> your money go? You want your money work for you, instead of you working for your money.

Your Spending Plan

Although data collection is used at the beginning of the planning process, it is also necessary at the end. It will take you time to adjust your spending plan to something that works for you, and you'll need to continue to track and collect data to see if your initial budget is realistic. When creating your spending plan make sure to consider both historical spending patterns as well as anticipated future needs.

Helpful Documents

When planning your budget, historical records can help you fill in the gaps on where your money has gone in the past. You may find the following documents helpful:

- Two or three recent paystubs for each worker and each job
- Debit card and checking account statements and register for the past three months
- A recent statement for each credit card and other debts as well as your actual payment for each
- Two or three recent statements for all ongoing bills, such as utilities and insurance
- Outstanding bills, such as medical, dental, repairs, etc.

Having a few months of history allows you to capture more of the irregular expenses that occur so that you can create a more detailed spending plan. No two months are the same; so the more history you have, the better you will be able to plan for the future.

A spending plan is just a way for you to earmark money for specific purposes. But when you build your spending plan, you really need to consider more than just this month's needs. Consider how much money you need to reach your goals, how much should be set aside for emergency savings, periodic expenses and debt repayment. Just like a puzzle, we need all the pieces in place to get the full picture. Often when spending plans do not work well, it is because they are not addressing all the needs.

In this lesson, we are going to show you how to identify how much to set aside for those S.M.A.R.T. goals. Your goals are the best reason for building a plan for spending. You want to see great things happen and your spending plan can help you get there. This saving for goals begins to bring our spending plan to life as we start turning our dreams into reality.

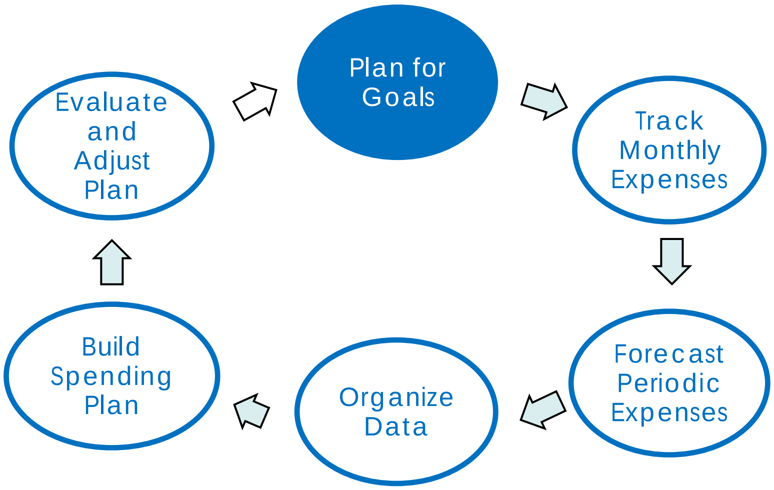
You have been working on building emergency savings, but you also need to plan for the periodic expenses that come along like vacation, back to school, gifts and holidays that don't occur each month.

Almost no one creates a perfect spending plan on the first try, but eventually, you will be able to plan ahead and have your money go where you want it to go. This includes planning for your overall financial goals as well as your current and future expenses and savings.

As you use your spending plan to guide your actual spending, you will be taking daily steps to improve the quality of your current and future financial life.

Keep in mind that a spending plan that works for you at this point in your life will not necessarily work for you as your lifestyle changes and as needs change. Initially you will monitor and adjust your spending plan monthly as you get more data; but once operational, your spending plan should not need to change much until there is a change to your lifestyle that requires it.

Your Spending Plan



Budgeting is a process. Your first spending plan is likely going to be adjusted as you test it over time.

Plan for Goals: Over the last couple of months, you have been gathering data to use in developing a solid spending plan. Your spending tracker as well as data from other sources will help you paint a picture of where your money currently goes.

Track Monthly Expenses: By reviewing your recent spending activity, you can forecast future spending. This month, we will track that spending by category and use this information to build the spending plan.

Periodic and Goal Spending: Now you are taking your spending plan from a backward looking accounting of expenses to giving your budget direction for the future. As you include these expenses, you will begin to save for future.

Organize Data: Once you have data collected, you will organize this data into categories. You don't want too many categories or the spending plan becomes difficult to manage, but you do want enough categories that all the expenses are accounted for.

Build your Spending Plan: With all the data, you should be able to construct a plan for future spending. Just take your organized category spending and add in the periodic and the goal spending to create your basic spending plan.

Evaluate and Adjust the Plan: If your spending each month adds up to more than your income, you need an adjustment. We will talk about adjusting your budget in our next lesson.

Why Start with Your Goals?

So you may be thinking, why start with your goals? Why not just get to the dollars?

- Well, goals help you establish a desired outcome. What are you working toward? You can help to control your destiny by envisioning what you want your life to be like. The same is true when you start a road trip. You might have detours along the way, but you always need to know where you are and where you want to be. Goals give necessary direction and purpose.

- Until now, you have been gathering information about where you are, but as you develop your goals, you can map out where you want to be and which turns to make along the way to get there. If you know which route to take, it is much more likely that you'll reach your destination instead of wandering around.

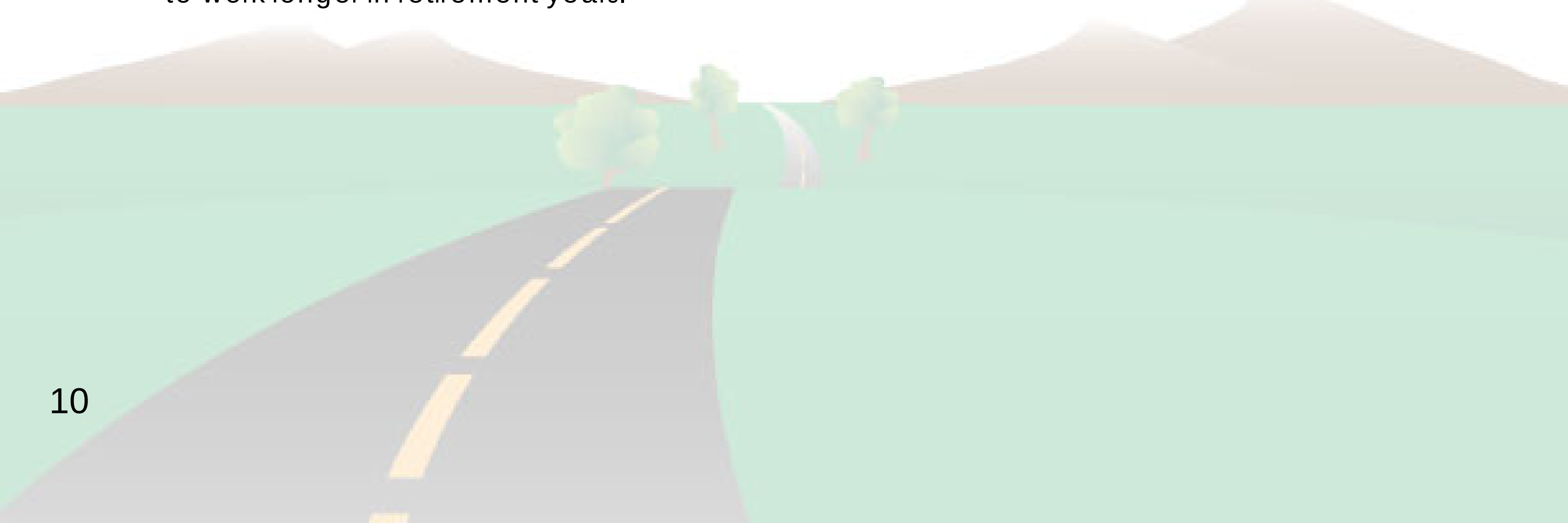
When you have written goals, you are more likely to achieve those goals.

- A **Forbes study** found that those who wrote down their goals accomplished significantly more than those who did not write down their goals. So write down your goals and display them in a place where you will be reminded of them regularly—for example, on a bathroom mirror. Goals motivate us to keep on going when the going gets hard, and they create a vision for our future. Change is never easy, but it's a lot easier when you know all of your hard work will be worth it. https://www.forbes.com/sites/ellevate/2014/04/08/why-you-should-be-writing-down-your-goals/#5bdb6ffe3397

Think about your own goals. Won't your life be a lot more enjoyable if you achieve them? Our quality of life improves as we reach the goals we set for ourselves.

It is important to plan for different lengths of time. You have short-term goals (less than one year), mid-term goals (one to five years) and long-term goals (more than five years).

- The short-term goals allow us to experience a sense of accomplishment sooner and motivate us to keep pressing on toward the longer term goals. The mid-term goals help to bridge the gap between our short and long-term goals and keep us on the right track. The longer term goals are more significant to our long-term financial health. For example we don't focus on retirement savings early we may not have enough funds to retire as we hoped and may have to work longer in retirement years.



S.M.A.R.T. Goals

In the Spending Plan Process diagram on page 6, you see that goal setting is an important first step of the process; so use these S.M.A.R.T guidelines to help you add focus and direction to your goals.

The people who are most successful in reaching their goals do two things:

1. They write them down, and
2. They know what steps are necessary to achieve those goals. The easiest way to determining those steps is to create S.M.A.R.T goals.

S.M.A.R.T. goals take regular, ordinary goals and chunk them up into steps for success:

Specific: State exactly what is to be done

Measurable: Include how the goal can be measured

Actionable: Determine steps to reach the goal

Realistic: Do not set goals for something unrealistic

Time-Bound: State when the goal will be met

EXAMPLE:
Goal: I want to buy a new car.

S.M.A.R.T. goal:

- Specific: I want to save money for a down payment on a new car.
- Measurable: I need to save $2,400 for the down payment.
- Actionable: I will save $50 from every paycheck ($100 a month/$1200 per year).
- Realistic: I usually spend $200 a month on dining out and coffee drinks, so I'll cut that spending in half and put the rest towards my down payment.
- Time-Bound: I want to have the $2,400 saved in two years.

When you know exactly what needs to be done to accomplish your goals, you're much more likely to be successful.

Total Cost. For longer term goals, this is likely to be a good **estimate** of the cost. For example, you may want to take a trip next year, but you may not have a true cost of airfare, meals, etc. You may also want to look at current costs and increase that cost by a factor of inflation.

Prioritizing Goals

Your goals are a measure of what you value in life. Your value system is a personal choice that no one can make but you. But, you likely have other people in your life to consider when you are creating your goals. Of your goals listed, what should take greatest priority? You assign the priorities according to your values.

You might want to have a family meeting to discuss your combined goals and prioritize them according to our family's needs. Having common goals and agreement about priority can go a long way to bringing harmony in the home. Common goals and common priorities bond family members together.

In your Passport, there is a worksheet for prioritizing your goals as part of your assignment for this lesson.

Goal setting is a good time to include your household family members in your financial choices, so they can be active players in helping the family achieve their goals. So how do you get the conversation going? It is important to establish an atmosphere in which mutual respect is maintained. A written list of the goals can be posted in the home to remind all family members. Family meetings to review progress, no matter how small, helps to get everyone working toward the same financial goals.

Prioritizing goals is important as you start making spending choices to see them achieved. Is it possible that you could have two goals that would come into conflict? Is it possible that you may have a goal to establish an emergency fund and to go on vacation this year and have to choose between them? The goal that is the higher priority should prevail.

You can also modify goals so that both goals can be achieved with the means that you have available to you. Can you reduce expenses or increase income for a period of time to achieve your goals?

Types of Expenses

Fixed expenses are easy to plan for because they are the same each month. The planned amount for fixed expenses is whatever the cost for that item is.

Variable expenses happen every month, but the cost fluctuates (groceries, entertainment, doctors, etc.). They are harder to spending plan for because the amount can change from month to month. To create a spending plan for variable expenses, you will want to look at some prior months and take an average of the expenses.

Example: Food Costs
Month 1: $178 Month 2: $256 Month 3: $204 = Average cost: $212.67

In the months where you spend less, you can put away the extra money to help you meet your needs during the more expensive months. In this example, in Month 2 you would have to borrow from savings or from another category to supply the need because you haven't built up a savings reserve yet for the months when you are short. Month 1 would have helped some because you would have set aside $34.67 but that wouldn't be enough to fund Month 2. You would have to readjust spending somewhere else.

Periodic expenses happen occasionally and can be costly:

- Vacation
- Holidays
- Income Tax
- Back to School
- Tuition
- Car Maintenance
- Weddings
- Insurance
- Clothing
- Birthdays
- Property Tax
- Home Repairs

Planning for these requires a little extra homework. Getting a good estimate of the cost for the item is key. For fun items like Vacation and Holiday spending, getting the entire family involved in saving for the event can be an opportunity to teach children about financial planning and the importance of savings.

To spending plan for these items:

- Determine the timeframe of how often the expense occurs (annually, quarterly, twice per year, etc.).
- Figure out the total amount needed to cover the expense.
- Divide the estimated cost by the number of months you have to save.

This will give your monthly cost.

For example, if your expense is annual, take the estimated cost and divide by 12. That is how much you need to save each month (assuming that your expense is a full year away). For quarterly expenses, divide the estimated expense by 3 so that you can save each month and have the full amount by the end of the quarter.

Tracking Expenses

The first step to taking control of your money is to track our spending. Most of us can easily recognize our big expenditures ~ rent/mortgage, grocery bills, etc. ~ but it's the little things, the coffees and candy bars, that often throw us into a tailspin.

1. **Start tracking where your money goes.** It's important to track everything. If you toss a dime into a fountain, write it down. If you grab a soda from the machine, write it down. Bills, regular expenses, write it all down. Your goal is to see where you're actually spending.

2. **Track your spending for at least a month and then evaluate your spending.** Do you see any patterns? Where are your weaknesses? What needs to be controlled? This is the information you'll need when creating your spending plan. One of our homework assignments was to consider the temptations that can hinder our progress to our goals. We each have different temptations; but in that exercise, we listed ways that we can create boundaries around the temptations to allow us to avoid impulse purchases and to maintain greater control.

You have already begun to track your monthly expenses and will continue this month because the more data you have to work with, the more accurate your spending plan will be. You can use past statements for credit cards and banking statements to help you fill in some gaps as well.

There's a story about a woman who came for counseling because she kept running out of money each month. When she and her counselor started going through her frequent expenditures, the woman guessed she spent about $150 a month on clothing. After going through her bank statements, they found she actually spent an average of $375 a month on clothes! This happens all the time! We're all on the go, and a dollar here and there may not seem like much, but it can add up quickly. An envelope kept in your car/purse is helpful in organizing and recording receipts for those small purchases.

One way that money can escape our attention is through automatic transactions. Automatic spending makes transactions easier and assures that payments are made on time, but consider the automatic spending you have set up and evaluate whether the spending is the best value for your dollar. Sometimes payroll deductions are taken for services not needed. A tricky sales tactic for services is to automate billing on your credit card each month after the initial "free" offer. Evaluate the automatics, keep what you need and stop what you do not.

Forecasting Periodic Expenses

By including periodic expenses in your spending plan, you will be able to meet your expenses without struggling to find a way to pay them. No more deciding what can wait or having to use credit to meet these needs. Periodic expenses are just as important as expenses that occur monthly. Without a plan for periodic expenses, you will find yourself either depleting other savings or incurring additional debt just to cover them. Just because they don't happen every month doesn't mean they are not important.

Irregular periodic expenses may require more research. For example, how much should you plan for maintenance and repairs on your car? You may be able to rely on historical averages or you might choose to do an internet search to find out average costs for your make and model. No matter how you choose to estimate, it is important to plan for these expenses so they don't catch you unaware.

Look into the future and anticipate those expenses that come along from time to time (periodically). We all have them… property taxes, gifts for birthdays and weddings, annual dues, back to school expenses, tuition and books, insurance, holidays and more. Often these expenses are not included in our spending plans because we do not think of them as monthly expenses. Periodic expenses are often called budget busters because, without prior planning, they can cause your spending plan to fail.

The goal is to set aside regular savings each month to cover periodic expenses. Once you have a list of all your estimated expenses, you can add up how much you should be saving monthly Which helps to minimize the impact of periodic expenses when they occur.

As part of your homework, you will be completing your own estimate of periodic expenses and calculating the monthly cost. The worksheet is on page 16 of your Passport.

EXAMPLE:

- Identify the cost and the timeframe for the expense:
  - *Annually: Each June, I pay $360 in personal property taxes.*
  - *Quarterly, I pay $180 for car insurance.*
- Break the cost into monthly amounts:

  Personal Property Tax - $360 for 12 months = $30/month

  Car Insurance - $180 for 3 months = $60/month

Periodic Example: by Category

	Frequency	How often are you Paying in months	Amount	Monthly
Car Insurance	Quarterly	3	$180	$60
Clothing	3 times/yr.	4	$400	$100
School Expenses	Annual	12	$240	$20
Home Repairs	Annual	12	$720	$60
Car Maintenance/Repair	Twice/yr.	6	$420	$70
Personal Property tax	Annual.	12	$360	$30
Membership/Dues	Annual	12	$360	$30
Holidays/Birthdays	Annual	12	$1200	$100
Subscriptions	Annual	12	$60	$5
Vacation	Annual	12	$1200	$100
		Monthly average		**$575**

Car maintenance and repairs are good examples of a periodic expense. For this example a person averaging $420 in car maintenance and repairs every 6 months would have a total yearly expense of $840 which averages to $70 each month.

You have some idea when and how much you will need for routine maintenance cost (oil changes, inspections, tires) and little or no prior warning for cost associated with a breakdown. You know that breakdown costs (irregular expenses) are likely to occur at some point, but not when or how much. Averaging these expenses over time or doing a web search for average costs to maintain the item helps. Holiday expenses and birthdays are easier to plan for because they happen at the same time each year and the expense amount is usually known (regular).

As part of your homework, you will be completing your own estimate of periodic expenses and calculating both the total annual and monthly cost.

Periodic Example by Month

	Expense	Planned	Spent	Reserved	Balance
January	School/Clothing	**575**	220	355	355
February	Insurance/Birthday	**575**	595	**-20**	335
March	Car Maintenance	**575**	880	**-305**	30
April	Home Repair/Clothing /School	**575**	800	**-225**	**-195**
May	Insurance	**575**	480	95	**-100**
June	Personal Property/Birthday	**575**	460	115	15
July	Clothing/Vacation	**575**	855	**-280**	**-265**
August	Insurance/Back to School	**575**	340	235	**-30**
September	Car Maintenance/Dues	**575**	360	215	185
October	Clothing/School	**575**	820	**-245**	**-60**
November	Insurance	**575**	180	395	335
December	Holidays	**575**	910	**-335**	**0**

Look at how the periodic expenses occur each month for a family with monthly average periodic expenses of $575 as shown in the purple column. The Spent column shows that for some months they spend less than others. If those expenses came regularly, they could just cover them in their monthly spending; but often they come in spurts that require them to save extra ahead of time.

As expenses occur over the year you can see that even as you set aside money for periodic expenses, there are some months where your savings are insufficient to cover the total cost. In this example, the higher April expenses result in a negative balance (i.e.; total expenses higher than the $575 per month budget).

What are some things you can do?

Examples of Solutions:
You might choose to defer some expenses to stretch your savings.

You may find a way to cut back on some costs.

You may find opportunities to save additional amounts in the earlier months to cover the costs in the later months.

Estimated Schedule of Periodic Expenses

	Expense	Planned	Reserved	Saved
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				

Knowing when expenses might occur can give you some latitude to make changes in when you plan for the expense. It could also give you the opportunity to save a little extra in the earlier months to ensure you have enough savings when the expense actually occurs.

By doing advanced planning in advance for these expenses, you have the ability to adapt and not be caught unaware.

Organizing Your Data

TRACKER	$$
X-Mart: apples, socks, paper	$ 23.59
Car Payment	$259.34
Convenience Store: gas and coffee	$35.97
Electricity	$ 159.75
Rent	$950
Restaurant: lunch	$8.23

CATEGORY	$$
Groceries	$ 5.39
Eating Out	$ 9.66
Auto	$ 293.88
Misc.	$7.25
Housing	$1,109.75
Clothing	10.95

Now that you've learned about different types of expenses, you will now learn to categorize them. When you group your spending together, it actually makes budgeting more simple. This month, you will be grouping your spending that you have tracked and continue to track spending by category. Use the worksheet im your Passport to organize your spending into categories.

You want to have simple major categories for spending, but enough categories that all your regular expenses are captured:

Housing	Groceries	Auto
Debt	Entertainment	Clothing
Savings	Medical	Miscellaneous
Investments	Childcare	Education
Charity	Insurance	

You determine how many categories you need for your budget. Look at the categories listed in the spending plan in your Passport for an example that you might want to apply to your first budget.

Tricky transactions may be ones where multiple categories are addressed in one purchase. For example, if I go to X-Mart and purchase apples and, I have covered two categories (groceries and clothing). I can't begin to control this kind of spending until I categorize what was purchased.

NOTE: If you operate a small business, keeping track of the business related expenses is vital for accounting at tax time. The more expenses you track, the less tax you will end up paying in the end. You must have a written record of all business expenses.

Categorizing Expenses

Expense Tracker

X-MART	APPLES	$6.12
	SOCKS	$8.99
Car Insurance		$259.34
Electric Bill		$139.75
Rent		$950
Restaurant	LUNCH	$13.12
Gas		$38.23
Grocery Store	FOOD	$183.71

Categories

Grocery	Entertainment	Transportation	Clothing	Housing
$6.12				
			$8.99	
		$259.34		
				$139.75
				$950.00
	$13.12			
		$38.23		
$183.71				
TOTALS $189.83	$13.12	$297.57	$8.99	$1,089.75

Your spending tracker may have looked a little like the list on the left. You identified all the places where your money went. This month, we will translate that list into categories.
In the Passport, there is a form that you can use to organize the information you have collected from the tracking sheets and outline monthly expenses by category. From this form, you are almost ready to establish your initial spending plan.

Organizing Data: Too many categories make the process too complex; so to begin, we will organize into major categories like: Income, Taxes, Housing, Auto, Groceries, Debt, Medical, Insurance, Education, Savings (and Investing), Clothing, Entertainment, Miscellaneous and Charitable Donations. Most of your purchases should fall into one of those categories.

Tricky transactions may be ones where multiple categories are addressed in one purchase. For example, if I go to X-Mart and purchase apples and, I have covered 2 categories (groceries and clothing). I can't begin to control this kind of spending until I categorize what was purchased.

In this example, we have a tracker with daily expenses tracked, and then we organized these into spending plan categories. Look at each transaction and see how the expense is re-organized into categories.

Actual Spending By Category

	Week 1	Week 2	Week 3	Week 4	Total
Savings	100		100		200
Housing	850		120	75	1045
Transportation (Auto)	300	50	100	50	500
Debt		100			100
Groceries		250	20	100	370
Entertainment	30	10	70	10	120
Insurance					
Clothing				50	50
Medical	120	45	120		285
Miscellaneous		35		20	55
Investments	50		50		100
Education/Childcare					
Charitable	30	30	30	30	120

Not every expense happens at the same time of the month or every month. By organizing our spending this way, we can see patterns of the timing of income and expenses. Part of your homework assignment for this lesson will be to track your expenses by category. Shown on the above chart are examples of monthly expenses.

Your Passport also contains a worksheet for recording actual expenses by category. Many categories are fairly straightforward but some expenses can be a bit more challenging to categorize. Among these are:

HOUSING: This includes rent or mortgage, utilities and associated insurance. Under housing you will also see internet, cable and telephone as one of those housing related expenses.

GROCERIES: This includes grocery and toiletry items purchased with your groceries. Pet food would be included in this category.

DEBT: This is a tricky category. This is ONLY for debt that is carried over month to month. If I purchase on a credit card and pay it off in full at the end of the cycle, I should put these purchases in their proper category. Debt will include credit cards and personal loans that are on monthly installment plans.

ENTERTAINMENT: This includes eating out, movies, gym memberships, concerts, vacations and other leisure activities.

MISCELLANEOUS: This is a catch-all category for those items not listed elsewhere. Day to day expenses like haircuts, postage, magazine subscriptions, etc. would go here. When developing your spending plan, you may often find spending leaks in this category.

Spending Plan: Monthly Income

INCOME			
INCOME	**PER MONTH**	**WITHHOLDINGS**	**PER MONTH**
Salary 1		Federal Tax	
Salary 2		State Tax	
Social Security		Social Security/Medicare	
Child Support		Other	
Other		Other	
Total Income		**Total Withholdings**	
NET SPENDABLE INCOME (Total Income – Total Withholdings) =			

Now that you have your spending organized by category, take a moment to consider your income sources used to pay for these expenses. Remember to included every source of income for yourself and any other family member's income.

When listing employment income include **gross** amount before taxes and other withholdings. Also include other income sources so that you have a full picture of what income will be available to you each month. On the right side, list the withholding or deduction amounts including those for health insurance and retirement which can be listed in the Other sections of withholding. Your net spendable income is your total income minus your total withholdings. Net spendable income should be the amount that is deposited in your account.

Spending Plan: Monthly Expenses

EXPENSES			
EXPENSE	**PER MONTH**	**EXPENSE**	**PER MONTH**
SAVINGS		**GROCERIES**	
Emergency		**ENTERTAINMENT**	
Periodic		Eating Out	
Special/Goal		Vacation/Trips	
HOUSING		Movies/Events	
Mortgage/Rent		Babysitter	
Property Tax		**INSURANCE**	
Insurance		Life	
Electric/Gas		Disability	
Water/Sewer		**CLOTHING**	
Phone		**MEDICAL**	
Internet		Insurance	
Cable		Doctor/Dentist	
Maintenance		Prescriptions	
TRANSPORTATION		Copays	
Loan Payment		**MISCELLANEOUS**	
Insurance		Postage	
Gas/oil		Allowances	
Maintenance		Gifts	
Repair		Personal Care	
DEBTS		Other	
Credit Card 1		Other	
Credit Card 2		**INVESTMENT/RETIREMENT**	
Loan 1		**EDUCATION**	
Loan 2		**CHARITY/DONATIONS**	
Other			
CHILDCARE/DAYCARE		**TOTAL EXPENSES**	

The second section of your spending plan is for expenses. This is where you mark down where your money should be allocated before it is spent. You are looking into the future and planning your spending.

This plan will include money set aside to reach your goals, regular monthly expenses and periodic expenses. For guidance you can look at the amounts that you have been spending that you have recorded in the Actual Spending by Category assignment. For most of us, some of our expenses will need to be reduced so that our total expenses, including savings, is not more than our net income.

If your expenses are more than your income, remember that more than 50% of Americans each month spend at least the full amount of their income. It may be a comfort to know you are not alone in this struggle to live on less than you make, but most will need to find ways to reduce expenses and include savings in their spending plan.

Post-Test

1. A spending plan helps you control spending because you are able to:

a) Keep track of your daily spending and bills due
b) Determine your monthly income and expenses
c) Find ways to decrease spending
d) Find ways to increase income
e) All of the above

2 Which of the following are generally considered examples of fixed expenses? Select all that apply.

a) Car payment
b) Personal expenses
c) Electric or gas bill
d) Rent or mortgage

3. Which of the following are true about financial goals? Select all that apply.

a) When you have written goals you are more likely to achieve them.
b) The amount I save for goals should vary every month.
c) Goals help to improve your quality of life.
d) Goals help you establish a desired outcome.

4. Which of the following are generally considered examples of variable expenses? Select all that apply.

a) Food
b) Child care
c) Entertainment
d) Rent or mortgage

5. Which of the following needs to be included in a spending plan?

a) Periodic expenses
b) Goal expenses
c) Monthly expenses
d) All of the above

Glossary

Discretionary Expenses: Expenses that we can control. Often associated with the "wants" of our spending plan. Discretionary expenses are lifestyle expenses that integrate our values with our spending choices.

Essential Expenses: Expenses that are high priority and/or mandated by courts. The cost of rent/mortgage would be a high priority expense. Child support would be mandated by courts.

Fixed Expenses: Expenses with amounts that do not change from month to month.

Variable Expenses: Expenses with amounts that often change from month to month.

Gross Income: Total income without deductions.

Net Income: Gross income minus deductions such as Social Security and other taxes.

Non-Discretionary Expenses: Expenses that are not easily controlled. They are the vital expenses that must be accommodated in the spending plan.

Periodic Expenses: Household expenses that occur sporadically , or from time to time, rather than on a regular interval (i.e.; weekly, monthly, yearly).

Spending Plan: A step-by-step plan for meeting expenses in a given period of time. Also known as a "budget". Spending plans are developed before the monthly spending begins as a forward looking plan to guide spending decisions for the month.

- Keep track of your daily spending
- Determine what your monthly income and expenses are the month before they are due
- Find ways to decrease spending
- Find ways to increase income