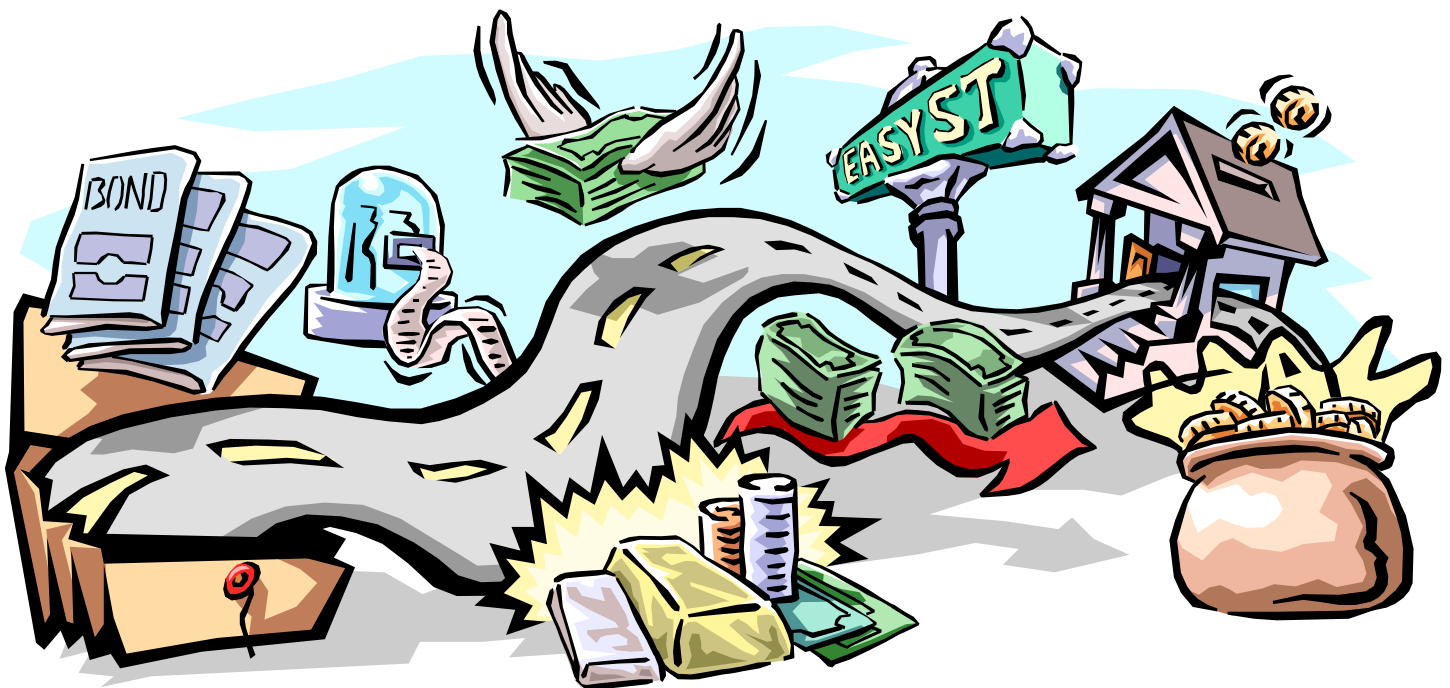


developing a **spending plan**

Making Your Money Work for You!



FINANCIAL MENTORING PROGRAM

PORT JOBS 

IN THIS MODULE YOU WILL LEARN HOW TO:

- Use a spending plan to help you reach your financial goals.**
- Identify all sources of income and calculate net income.**
- Track your expenses and identify wants versus needs.**
- Reduce your spending and increase your income and savings.**
- Compare your income, expenses and debt, and use this information to make informed spending and savings decisions.**

© 2004 Port Jobs. All rights reserved. Funded by the National Endowment for Financial Education® (NEFE®), Grant project number 002-06-2002.

This publication is meant to provide general financial information; it is not meant to substitute for, or to supersede, professional or legal advice. The content areas in this publication are believed to be current as of this printing, but, over time, legislative and regulatory changes, as well as new developments, may date this material.

developing a spending plan

MOST PEOPLE ARE NEVER TAUGHT HOW TO MANAGE MONEY. WE DON'T DEVELOP THESE SKILLS IN SCHOOL, AND OFTEN WE LEARN OUR FINANCIAL HABITS FROM OUR PARENTS OR THE HARD WAY - BY MAKING MISTAKES.

What are the things you wish you could do - take your children on a vacation, send money home to your family, or buy a house someday? Do you ever wish that you had more money in your wallet at the end of the month? Do you try to spend money wisely, but find that you just don't know where it goes? (Don't worry - we all feel like this sometimes.)

Whether you want to take your dream vacation or get out of debt, there are a few

simple tools that can help you take control of your money and make it work for you. In this session you will learn to use one of these tools – a spending plan.

A Financial Road Map

A spending plan is like a road map – it helps you see where you are and how you can move toward your financial goals. The great thing about a spending plan is that it gives you the power of

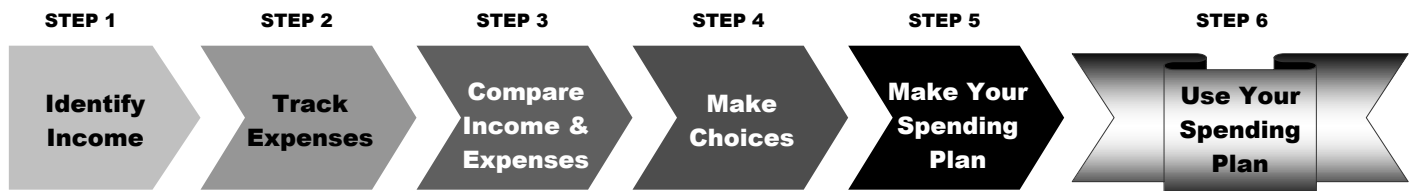
choice. Once you know exactly how much income you take home each month, and how much you spend, you can develop a realistic plan to meet your goals - from paying off credit card balances, to saving towards a house or college education.

Specifically, a spending plan helps you:

- See how much money is coming in.
- Know how you spend your money.
- Plug “spending leaks”.
- Put money aside for savings goals.
- Prepare for the unexpected.
- Stay out of debt.
- Plan for the future.

6 Steps To Your Own Plan

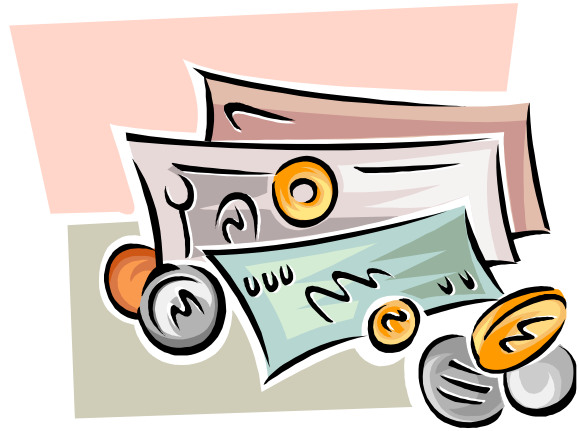
This module will walk you through 6 steps to help you create your own spending plan. Creating a spending plan can put you back in the driver's seat, and help you make financial decisions that are right for you! And remember - this is *your* plan: YOU create it. YOU control it. YOU can change it.



identifying income

How Much Money Do You Have?

How much money do you actually bring home every month? The first step in creating your spending plan is to add up all of the money coming into your household. This sounds simple enough, but often people do not have an accurate picture of their real, take-home income.



Net Wages

Many people overestimate their monthly wages because they think about their **gross income** – the money their employer pays them before any taxes and deductions are taken out. When creating a spending plan, use your **net income** – the money that you actually take home, after all deductions have been taken out, such as taxes, Social Security and Medicare.

- Include take-home pay for everyone who contributes to the family income.
- If your earnings are irregular, (let's say you have a seasonal job, or are self-employed) be conservative and base your monthly income estimates on previous and current earnings.

Additional *Income*

Also don't forget to include other types of income, such as child support or food stamps. Use the checklist to the right to think creatively about all forms of money coming into your household, not just wages earned at your job.

ADDITIONAL INCOME CHECKLIST

Check as many sources as apply

- Food Stamps/WIC
- TANF (Temporary Assistance for Needy Families)
- Unemployment compensation
- Supplemental Security Income
- Social Security benefits
- Child or spousal support
- Worker's Disability compensation
- Veterans' benefits
- Advance Earned Income Credit
- Tax refunds
- Housing assistance
- Support from family and friends
- Business/investment income

Calculating *Monthly Income*

Use the worksheet below to calculate your net monthly wages, list any additional income you might have, and calculate your total monthly income.



CALCULATING MONTHLY INCOME

How Often Do You Get Paid?

To calculate your Total Monthly Income, you need to know how often you get paid. Use the "Monthly Conversion Chart" to the right to calculate the your net wages and additional income into monthly amounts.

Monthly Conversion Chart

DAILY: multiply by **365**; divide by 12
 WEEKLY: multiply by **52**; divide by 12
 EVERY 2 WEEKS: multiply by **26**; divide by 12
 TWICE A MONTH: multiply by **24**; divide by 12
 ONCE A MONTH: you do not need a conversion

STEP 1: NET WAGES

Amount on Paycheck	Multiply by conversion	Divide by 12 = Net Monthly Amount
Example: \$150	Paid weekly: $\$150 \times 52 = 7800$	$7800 / 12 = \$650$

(a) Total Net Monthly Wages \$ _____

STEP 2: ADDITIONAL INCOME

Amount of Payment	Multiply by conversion	Divide by 12 = Net Monthly Amount
Example: TANF \$75	Paid weekly: $\$75 \times 52 = 3900$	$3900 / 12 = \$325$

(b) Total Additional Monthly Income \$ _____

STEP 3: CALCULATING TOTAL MONTHLY INCOME

(a) Total Net Monthly Wages (b) Total Additional Monthly Income (c) Total Monthly Income

\$ _____ + \$ _____ = \$ _____

tracking expenses

**UNDERSTANDING YOUR
SPENDING HABITS
HELPS YOU MAKE
DECISIONS SO THAT
YOU HAVE ENOUGH
MONEY FOR DAY-TO-DAY
LIVING AS WELL AS
FOR LARGER GOALS.**

Do you know how much money you spend on groceries each month? What about coffee or gas? How much would you save by bringing your lunch to work? The truth is, NO ONE knows what they actually spend on day-to-day expenses until they really pay attention to what they buy, write it down, and think about it.



Where Does Your Money Go?

The second step in creating a spending plan is to **track your expenses** for one month. Tracking expenses means keeping track and writing down everything you spend money on – from your rent and phone bill, to candy bars and rental videos. Tracking helps you see where your money goes.

Types of Expenses

When tracking, think of your expenses in three general categories. Together they make up your total spending:

MONTHLY EXPENSES

Spending that occurs on a regular monthly basis for living and family needs. These expenses include all your “routine” monthly bills, such as

rent, which have a set payment (these are sometimes called “fixed expenses”). Also included are things like groceries, gas, and entertainment, which vary from week to week or month to month (these are sometimes called “flexible expenses”).

PERIODIC EXPENSES

Spending that occurs once or twice a year. These are usually larger expenses such as taxes, holiday gifts, and auto maintenance. Even though these bills might not happen every month, it is still important to plan for them, so you have money to pay them when they are due.

DEBT EXPENSES

Spending to repay loans or other money you have borrowed, such as a car loan, student loan, or credit card. These expenses can be either monthly or periodic.

Tools to Track

There are many ways to track your expenses. The trick is to make it simple, make it a habit, and stick with it. Many expenses, such as rent or your phone bill, are easy to track by looking at past bills and bank statements. Tracking cash or out-of-pocket spending takes a little more work. Try using one of the following ideas, or come up with one of your own.

- ❑ A **checkbook register** can be used to record checks, as well as all daily cash, debit, and credit card spending.
- ❑ The **“Pocket Tracker” worksheet** on page 26, is broken down by day of the week to record daily spending, and can be folded to fit into your pocket or wallet.

- ❑ A **small notebook or index card** is also convenient to carry with you and works well to record out-of-pocket purchases.
- ❑ The **“Envelope Method”** works by collecting receipts for all daily purchases, and then putting them in envelopes labeled with categories, such as “Groceries” or “Entertainment”.

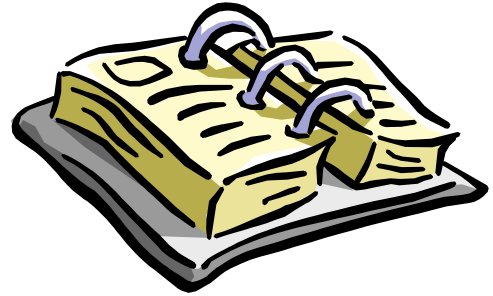


TRACKING EXPENSES FOR ONE MONTH

- STEP 1:** For the next month, track your spending using one of the tools above. Try to track exactly how much you spend on every item. Track every penny!
- STEP 2:** Use the "Periodic" and "Debt" worksheets on the following pages to track those expenses.
- STEP 3:** After tracking for one month, gather receipts into the spending categories on the "Tracking Worksheet" on pages 8 and 9. Total receipts for each category, and enter the amount under the "Actual Spending" column.

Planning Ahead

A spending plan is meant to help you understand where your money goes on a monthly basis, and to plan ahead for other expenses that occur periodically throughout the year. That way you won't be caught unprepared. Use the following worksheets to list all your periodic and debt expenses throughout the year.



CALCULATING MONTHLY PERIODIC EXPENSES

Expenses That Happen Once or Twice a Year	Cost / Payment	Total Annual Cost	Total Monthly Cost (divide annual cost by 12)
<i>Example: Car Insurance</i>	\$600/every 6 months	\$1,200	\$100
<i>Example: Income Taxes</i>	\$900/once a year	\$900	\$75
Auto Insurance		\$	\$
Auto License/Registration		\$	\$
Auto Maintenance		\$	\$
Taxes		\$	\$
Holiday Gifts		\$	\$
		\$	\$
		\$	\$
		\$	\$
Total Money to be Saved for Periodic Expenses each Month			\$



CALCULATING MONTHLY DEBT EXPENSES

Credit Cards / Loans / Credit Accounts	Total Balance Owed	Minimum Monthly Payment	Amount You Can Pay Each Month
<i>Example: Car Loan</i>	\$1,500	\$50	\$65
<i>Example: Bon Marche Card</i>	\$500	\$15	\$30
Visa/MasterCard		\$	\$
Student Loans		\$	\$
		\$	\$
		\$	\$
		\$	\$
		\$	\$
Total Monthly Debt Expenses			\$

Putting It All Together

After tracking your expenses for one month, the next step is to bring all this information together! Follow the four steps to the right to complete the "Tracking Worksheet" on pages 8 and 9. (An addition copy of the Tracking Worksheet can be found at the end of this module.)



TRACKING WORKSHEET

- STEP 1:** Enter your **Total Monthly Income** from the worksheet on page 3.
- STEP 2:** Gather and total **Monthly Expenses** into the categories on the worksheet.
- STEP 3:** Enter totals from the "**Periodic**" and "**Debt**" worksheets.
- STEP 4:** Total "**Monthly**," "**Periodic**," and "**Debt**" expenses.



TRACKING WORKSHEET

PAGE 1

	Actual Spending	New Spending Goal
INCOME		
Total Monthly Wages	\$	\$
Additional Monthly Income	\$	\$
	\$	\$
	\$	\$
Total Monthly Income	\$	

MONTHLY EXPENSES

Housing

Rent/Mortgage	\$	\$
Gas/Electricity	\$	\$
Water/Sewer/Garbage	\$	\$
Telephone (land lines and cell phones)	\$	\$
	\$	\$
	\$	\$

Food

Groceries	\$	\$
Meals Out	\$	\$
Snacks	\$	\$
Work Lunches/School Lunches	\$	\$
	\$	\$

Transportation

Car Payment	\$	\$
Gas	\$	\$
Public Transportation/Bus/Ferry Passes	\$	\$
	\$	\$
	\$	\$

* List auto expenses that occur only one or twice a year, like insurance, licensing, registration, and maintenance in the **Periodic Expense** section on the following page.

Health Care

Insurance Premium	\$	\$
Co-pay/Out-of-pocket charges	\$	\$
Medications/Prescriptions	\$	\$
	\$	\$
	\$	\$

Clothing/Personal

Clothing	\$	\$
Laundry/Dry-cleaning	\$	\$
Haircuts	\$	\$
Toiletries/Cosmetics	\$	\$
	\$	\$
	\$	\$



TRACKING WORKSHEET

PAGE 2

MONTHLY EXPENSES CONTINUED

Actual Spending

New Spending Goal

Entertainment

Cable TV/Movie Rentals	\$	\$
Going Out	\$	\$
	\$	\$
	\$	\$

Other

Money Sent Home/Charity/Donations	\$	\$
Education	\$	\$
Child Care	\$	\$
	\$	\$
	\$	\$
	\$	\$

Total Monthly Expenses \$

PERIODIC EXPENSES

* List expenses here that you pay once or twice a year. Remember to list the monthly amount (1/12th of your annual cost.)

Taxes	\$	\$
Auto Insurance	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$

Total Monthly Periodic Expenses \$

DEBT EXPENSES

Credit/Department Store Charge Accounts	\$	\$
Student Loans/Other Loans	\$	\$
	\$	\$
	\$	\$
	\$	\$

Total Monthly Debt Expenses \$

COMBINED MONTHLY EXPENSES

Total Monthly Expenses	+	Total Monthly Periodic Expenses	+	Total Monthly Debt Expenses	=	Combined Monthly Expenses
\$ <input type="text"/>		\$ <input type="text"/>		\$ <input type="text"/>		\$ <input type="text"/>

ADDITIONAL COMMON SPENDING CATEGORIES

<u>HOUSING</u>	<u>FOOD</u>	<u>CHILD CARE</u>	<u>TRANSPORT</u>	<u>HEALTH CARE</u>	<u>PERSONAL</u>	<u>ENTERTAINMENT</u>	<u>OTHER</u>	<u>PERIODIC</u>
Furniture	Take-out	Diapers	Parking	Dentist	Tobacco	Books/Magazines	Gifts	Home Insurance
Garden	Pizza	Allowances	Car license/tabs	Eye Doctor	Alcohol	Music	Pet Expenses	Property Taxes
Storage	Coffee	School fees	Maintenance	Glasses	Shoes	Internet Service	Lottery	Life Insurance

comparing income & expenses

Are You Living Within Your Means?

Do you live within your means? This next exercise will help you find out. If you live within your means, you can pay for the things you need without taking on more debt than you can handle. Simply put, it means that you spend less money than you bring in each month.

Now that you've built an accurate picture of your monthly income and expenses, you can compare these two amounts, and decide on your next steps to help you reach your financial goals. But don't be worried or discouraged – a spending plan is flexible, and is meant to be a tool to help you find ways to change your spending habits if you need or want to.

The Bottom Line

The math is simple: the amount of money coming in (income) must be less than or equal to the amount of money going out (expenses). Using the worksheet on the next page, enter your total monthly income, and then subtract your combined monthly expenses. Is the number positive or negative?

A POSITIVE NUMBER

A positive number means that you spend **LESS** than you earn each month. Good work! You



might now consider the following options to help you reach your financial goals:

- Put more money away for savings goals.
- Pay off your debt more quickly.

A NEGATIVE NUMBER

A negative number means that you spend **MORE** than you earn each month. This will need some work; otherwise you may end up going deeper and deeper into debt. To help bring your finances back into balance, think about ways to:

- Decrease your monthly expenses.
- Increase your monthly income.

We'll explore these options in the next section.



THE BOTTOM LINE

Total Monthly Income

Take this from the Income section of the "Tracking Worksheet", page 8

\$

Combined Monthly Expenses

Take this from the "Tracking Worksheet" on the bottom of page 9

\$

Difference

This is your bottom line

= \$



making choices

Would you rather put money aside for your dream vacation or buy that afternoon snack everyday? Now that you know where your money is going, you can make decisions like this! The choice is yours. And that choice gives you the power to take charge of your money.

Determining Your Financial Future

You are at a critical point in determining your financial future. It is time to look at your situation, decide what is important, and make spending choices that are right for you.

We will look at four general choices you might consider to help bring your spending back into balance, and to start planning for your financial future:

- Decrease your spending.
- Increase your income.
- Make room for savings.
- Reconsider your debt repayment plan.

Decrease Your Spending

Are you spending too much money every month? The most immediate solution is to look at ways to decrease your spending. Revisit the expense section of your Tracking Worksheet, and consider the following:



IDENTIFY NEEDS VERSUS WANTS

Go through your expenses on your Tracking Worksheet and circle all the items that are “wants.” Focus your efforts on ways to reduce these spending areas. For ideas, check out the “Spending Tips” on page 14. When reviewing your expenses, ask yourself the following questions:

- *Is this purchase necessary?*
- *Can I eliminate it, or substitute it for something less expensive?*
- *What am I giving up for this?*
- *Do I want this more than my long-term financial goals?*
- *Can I save money and purchase this item later?*

NEEDS are essential items which you need to survive, such as food, clothing, and housing.

WANTS are things you would like to have, but don't really need, such as meals out, designer clothes, and cable TV.

PLUG SPENDING LEAKS

Do you have any daily spending habits that don't seem to cost much? Do you buy snacks or soda pop from a vending machine everyday? What about a daily lottery ticket, or pack of cigarettes? Watch out! These add up:

Can of pop	\$.75
Cigarettes	\$ 3.00
Lotto Ticket	\$ 1.00

These small purchases aren't expensive, but over time they add up:

Every day	\$ 4.75
Every week	\$ 23.75
Every month	\$ 106.86
Every year	\$ 1,282.50

Think about your daily spending, and try to identify where you might have "spending leaks" like these. Use the worksheet below to calculate the amount you spend over time, and consider cutting back on these expenses.



TO DO LIST

Action Steps to Reduce Spending

- 1 _____
- 2 _____
- 3 _____
- 4 _____
- 5 _____
- 6 _____
- 7 _____

SET NEW SPENDING GOALS

After you identify a few areas where you can reduce your spending, create a new monthly goal for that spending category, and enter it into your Tracking Worksheet in the "New Spending Goal" column.



PLUG YOUR SPENDING LEAKS

Item	Cost per Day	Cost per Week (day x 5)	Cost per Month (week x 4.5)	Cost per Year (month x 12)
<i>Example: Can of pop</i>	\$0.75	\$3.75	\$16.86	\$202.32
	\$	\$	\$	\$
	\$	\$	\$	\$
	\$	\$	\$	\$
	\$	\$	\$	\$
	\$	\$	\$	\$



SPENDING TIPS

FOOD

- Eat out less.
- Bring your lunch, snacks, and drinks to work.
- Curb habits such as the daily \$2 coffee.
- Have meatless days.
- Cook meals from scratch.
- Make homemade snack food for your kids.
- Stop eating expensive junk food.
- Cook with seasonal ingredients, and try to be creative to use the entire ingredient.

SHOPPING

- Comparison shop - check the unit price.
- Buy in bulk - especially for spices.
- Shop with a list and resist impulsive buying.
- Buy only what you need.
- Don't grocery shop on an empty stomach.
- Use coupons and buy store brands.
- Don't go shopping just for fun.
- Shop at outlet malls and warehouse stores.
- Limit your use of credit card purchases.

HOUSING/TRANSPORTATION

- Find out about insurance discounts for car safety features or for a safe driver class.
- Carpool to work or school to share costs.
- Use less water and turn heating off at night.
- Buy, do not rent, furniture - look for used furniture at garage sales or thrift shops.
- Find out if you qualify for reduced utility and phone bills.

DEVELOP GOOD HABITS

- Evaluate the importance of everyday luxuries such as cell phones and cable TV.
- Have a "nothing day" - don't open your wallet.
- Make a game out of spending less.
- Pay your bills on time to avoid late fees.
- Watch checking balance - don't bounce checks.
- Keep your savings goals in a visible place.
- Carry only small amounts of cash.

KEEP THIS LIST IN A VISIBLE PLACE!

Increase *Your Income*

Have you thought about opportunities to increase your income? It is not easy to earn more money overnight, but it never hurts to think creatively, and consider all possibilities. Take another look at the “Calculating Monthly Income” worksheet on page 3 and think about ways to explore new options. Here are a few ideas to get you thinking:

- Start small by collecting money from others you have lent to in the past.
- Could you be ready for a raise at work? You might never know until you ask!
- Consider additional part-time or temporary work.
- Weigh the benefits of additional family members seeking work.
- Explore opportunities for receiving city, state, or federal assistance through programs such as WIA, WIC, or TANF.
- Find out whether you qualify for the Earned Income Tax Credit.
- Consider turning a hobby or talent into a second income source.
- Consider selling unnecessary clothing, furniture, CD’s, or other possessions at a local weekend market or yard sale.



TO DO LIST

Action Steps to Increase Income


- 1 _____
- 2 _____
- 3 _____
- 4 _____
- 5 _____
- 6 _____
- 7 _____
- 8 _____
- 9 _____
- 10 _____

Making Room for Savings


Are you waiting to save money for a time when you are more financially secure? Well, here is the secret to saving money: **START NOW!!** Starting early, and saving even a small amount of money every month will help you reach your financial goals.

Use the “Saving for Your Future” module to create savings goals. Which of these goals would you like to start saving for today? Prioritize your savings goals on the worksheet below, and list the amount of money you would like to set aside each month.





SAVINGS GOALS



Savings Goals	Amount You Can Save Each Month
<i>Example:</i> New Bed	\$10
<i>Example:</i> Down Payment on a Home	\$50
	\$
	\$
	\$
	\$
	\$
	\$
	\$

Reconsider your Debt Repayment Plan

Before putting all of your remaining money into savings, you may also make the decision to pay down your pre-existing debt. Each person’s situation is different, and only you can make the decision that is right for you.

If you think debt repayment could be the right choice for you, the “Taking Control of Your Debt” module will help you understand the best strategies to get on top - and stay on top - of your debt.

making your spending plan

Now that you have tracked your spending, compared your income with your expenses, and developed savings goals and a debt repayment plan within your means, you are ready to compile all this information together in one worksheet to be used every month to help keep your finances on track.



MAKING YOUR SPENDING PLAN

- STEP 1:** Enter the amount of "**Total Income**" that you expect to earn for the month.
- STEP 2:** Transfer the "Actual Spending" and/or "New Spending Goals" from your "Tracking Worksheet" to your new spending plan - put these numbers in the "**Spending Goal**" column. These are the goals you will try to "live within" for the month.
- STEP 3:** Enter any new "**Savings**" or "**Debt Expenses**" that you want to strive for this month.
- STEP 4:** Now that you have built your spending plan - the next step is to use it! The final section of this module will walk you through this.



SPENDING PLAN

MONTH _____

Actual Spending

Spending Goal

INCOME

Total Monthly Wages	\$	\$
Additional Monthly Income	\$	\$
	\$	\$
	\$	\$

Total Monthly Income \$

MONTHLY EXPENSES

Housing

Rent/Mortgage	\$	\$
Gas/Electricity	\$	\$
Water/Sewer/Garbage	\$	\$
Telephone (land lines and cell phones)	\$	\$
	\$	\$
	\$	\$

Food

Groceries	\$	\$
Meals Out	\$	\$
Snacks	\$	\$
Work Lunches/School Lunches	\$	\$
	\$	\$

Transportation

Car Payment	\$	\$
Gas	\$	\$
Public Transportation/Bus/Ferry Passes	\$	\$
	\$	\$
	\$	\$

* List auto expenses that occur only one or twice a year, like insurance, licensing, registration, and maintenance in the **Periodic Expense** section on the following page.

Health Care

Insurance Premium	\$	\$
Co-pay/Out-of-pocket charges	\$	\$
Medications/Prescriptions	\$	\$
	\$	\$
	\$	\$

Clothing/Personal

Clothing	\$	\$
Laundry/Dry-cleaning	\$	\$
Haircuts	\$	\$
Toiletries/Cosmetics	\$	\$
	\$	\$
	\$	\$



SPENDING PLAN

MONTH

MONTHLY EXPENSES CONTINUED

Entertainment

	Actual Spending	Spending Goal
Cable TV/Movie Rentals	\$	\$
Going Out	\$	\$
	\$	\$
	\$	\$

Other

Money Sent Home/Charity/Donations	\$	\$
Education	\$	\$
Child Care	\$	\$
	\$	\$
	\$	\$
	\$	\$

Total Monthly Expenses \$

PERIODIC EXPENSES

* List expenses here that you pay once or twice a year. Remember to list the monthly amount (1/12th of your annual cost.)

Taxes	\$	\$
Auto Insurance	\$	\$
	\$	\$
	\$	\$
	\$	\$

Total Monthly Periodic Expenses \$

DEBT EXPENSES

Credit/Department Store Charge Accounts	\$	\$
Student Loans/Other Loans	\$	\$
	\$	\$
	\$	\$
	\$	\$

Total Monthly Debt Expenses \$

SAVINGS

Emergency Fund	\$	\$
	\$	\$
	\$	\$

Total Monthly Savings \$

THE BOTTOM LINE

Total Monthly Income	-	Total Monthly Expenses	-	Total Monthly Periodic	-	Total Monthly Debt	-	Total Monthly Savings	=	Total Money Remaining
\$ <input type="text"/>	-	\$ <input type="text"/>	-	\$ <input type="text"/>	-	\$ <input type="text"/>	-	\$ <input type="text"/>	=	\$ <input type="text"/>

using your spending plan

**THIS PLAN WILL BE
NOTHING BUT A PIECE
OF PAPER UNLESS YOU
AND YOUR FAMILY
COMMIT TO USING IT.**

Congratulations – you have successfully created your personalized spending plan, and have taken the first step to gaining control of your finances. But wait! You are not finished yet! It is now time put this plan to action, and use it every month to

help you make decisions that are right for you!

Using Your Plan

To use your plan, fill out the “Spending Goal” column at the beginning of each month. These amounts are your spending and savings goals to “live within” that month. As you go through the month, keep tracking your income and expenses, and enter the total amounts in the “Actual Spending” column at the end of the month.

If your spending in any category is getting close to the “Spending Goal”, try to reduce or stop spending in that category until the end of the month. If you do overspend in a category, look for extra room in other spending categories to make up the difference. For example, if your grocery category is overspent by \$50 by the third week of the month, try spending less in a few other categories to cover that \$50.

Periodically review your spending plan and make necessary changes. After 2 or 3 months of tracking

income and expenses, you should be able to develop a realistic plan that will not only match your expenses to your income, but also help you save for your financial goals.

What to Watch Out For

Don’t kid yourself – sticking to a spending plan is hard work. No matter how good your intentions are, there are bound to be unexpected bills or situations that put kinks in your plan.

Unfortunately, there is no simple way to plan for these challenges. But don’t give up – over time you will develop creative ways to move past them.

4 BIGGEST BUDGET BUSTERS

- 1 Not knowing what you spend
- 2 Failing to prioritize goals
- 3 Abusing your credit card
- 4 Eating out too much

- Overspending might be a sign that your spending habits must change to stay within your means.
- You may also find that some savings and spending goals are unrealistic in light of current demands on your income, in which case you might want to revisit your spending goals, and set more realistic limits for yourself.



SUCCESSFUL MONEY MANAGEMENT FOR YOUR FAMILY



- ❑ **COMMUNICATE:** Take the time to talk about each others' needs and wants so that everyone in your family feels that they are part of the plan. Take the taboo out of money management - talk openly about your finances, and be honest when money is tight.
- ❑ **COOPERATE:** Be prepared to compromise and work cooperatively. Agree within your family that everyone will take turns getting what they want and even giving up something they want. Work towards a financial partnership.
- ❑ **CONTROL:** Every family member must exercise control and avoid unnecessary spending. Strive to live within your family's means, and limit the use of credit spending. Make savings a family priority.
- ❑ **USE INCENTIVES:** Be creative and use incentives. Remind yourself that you can buy those cool new shoes after just 3 months of saving. Try making a game out of staying within spending categories or weekly allowances, and reward the winners.
- ❑ **MAKE BUDGETING EASY:** Document what you spend in a way that makes it easy to track expenses. Set up a **money management center** in your home to keep all records and supplies in one place. Include these important materials: • Spending plan worksheets and past spending records • Bills and receipts • Checkbook and bank statements • Charge slips and charge account statements • Savings account records • Income records such as paycheck stubs, Social Security records and pension receipts.
- ❑ **MAKE IT VISIBLE:** Keep a copy of your monthly spending plan in a visible place for your family to see, such as your fridge or pantry door.
- ❑ **IF IT IS NOT WORKING:** If your spending plan shows that you should have money left at the end of the month, **but in reality you have no cash left**, you might need to revisit your expense tracking, and try to figure out where money is falling through the cracks. Talk about ways to plug those spending leaks with our family.
- ❑ **REVIEW** and revise your spending plan on a regular basis. Make it a "living" document.



TRACKING WORKSHEET

PAGE 1

INCOME

	Actual Spending	New Spending Goal
Total Monthly Wages	\$	\$
Additional Monthly Income	\$	\$
	\$	\$
	\$	\$

Total Monthly Income \$

MONTHLY EXPENSES

Housing

Rent/Mortgage	\$	\$
Gas/Electricity	\$	\$
Water/Sewer/Garbage	\$	\$
Telephone (land lines and cell phones)	\$	\$
	\$	\$
	\$	\$

Food

Groceries	\$	\$
Meals Out	\$	\$
Snacks	\$	\$
Work Lunches/School Lunches	\$	\$
	\$	\$

Transportation

Car Payment	\$	\$
Gas	\$	\$
Public Transportation/Bus/Ferry Passes	\$	\$
	\$	\$
	\$	\$

* List auto expenses that occur only one or twice a year, like insurance, licensing, registration, and maintenance in the **Periodic Expense** section on the following page.

Health Care

Insurance Premium	\$	\$
Co-pay/Out-of-pocket charges	\$	\$
Medications/Prescriptions	\$	\$
	\$	\$
	\$	\$

Clothing/Personal

Clothing	\$	\$
Laundry/Dry-cleaning	\$	\$
Haircuts	\$	\$
Toiletries/Cosmetics	\$	\$
	\$	\$
	\$	\$



TRACKING WORKSHEET

PAGE 2

MONTHLY EXPENSES CONTINUED

Actual Spending

New Spending Goal

Entertainment

Cable TV/Movie Rentals	\$	\$
Going Out	\$	\$
	\$	\$
	\$	\$

Other

Money Sent Home/Charity/Donations	\$	\$
Education	\$	\$
Child Care	\$	\$
	\$	\$
	\$	\$
	\$	\$

Total Monthly Expenses \$

PERIODIC EXPENSES

* List expenses here that you pay once or twice a year. Remember to list the monthly amount (1/12th of your annual cost.)

Taxes	\$	\$
Auto Insurance	\$	\$
	\$	\$
	\$	\$
	\$	\$
	\$	\$

Total Monthly Periodic Expenses \$

DEBT EXPENSES

Credit/Department Store Charge Accounts	\$	\$
Student Loans/Other Loans	\$	\$
	\$	\$
	\$	\$
	\$	\$

Total Monthly Debt Expenses \$

COMBINED MONTHLY EXPENSES

Total Monthly Expenses		Total Monthly Periodic Expenses		Total Monthly Debt Expenses		Combined Monthly Expenses
\$ <input type="text"/>	+	\$ <input type="text"/>	+	\$ <input type="text"/>	=	\$ <input type="text"/>

ADDITIONAL COMMON SPENDING CATEGORIES

<u>HOUSING</u>	<u>FOOD</u>	<u>CHILD CARE</u>	<u>TRANSPORT</u>	<u>HEALTH CARE</u>	<u>PERSONAL</u>	<u>ENTERTAINMENT</u>	<u>OTHER</u>	<u>PERIODIC</u>
Furniture	Take-out	Diapers	Parking	Dentist	Tobacco	Books/Magazines	Gifts	Home Insurance
Garden	Pizza	Allowances	Car license/tabs	Eye Doctor	Alcohol	Music	Pet Expenses	Property Taxes
Storage	Coffee	School fees	Maintenance	Glasses	Shoes	Internet Service	Lottery	Life Insurance



SPENDING PLAN

MONTH _____

Actual Spending

Spending Goal

INCOME

Total Monthly Wages	\$	\$
Additional Monthly Income	\$	\$
	\$	\$
	\$	\$

Total Monthly Income \$

MONTHLY EXPENSES

Housing

Rent/Mortgage	\$	\$
Gas/Electricity	\$	\$
Water/Sewer/Garbage	\$	\$
Telephone (land lines and cell phones)	\$	\$
	\$	\$
	\$	\$

Food

Groceries	\$	\$
Meals Out	\$	\$
Snacks	\$	\$
Work Lunches/School Lunches	\$	\$
	\$	\$

Transportation

Car Payment	\$	\$
Gas	\$	\$
Public Transportation/Bus/Ferry Passes	\$	\$
	\$	\$
	\$	\$

* List auto expenses that occur only one or twice a year, like insurance, licensing, registration, and maintenance in the **Periodic Expense** section on the following page.

Health Care

Insurance Premium	\$	\$
Co-pay/Out-of-pocket charges	\$	\$
Medications/Prescriptions	\$	\$
	\$	\$
	\$	\$

Clothing/Personal

Clothing	\$	\$
Laundry/Dry-cleaning	\$	\$
Haircuts	\$	\$
Toiletries/Cosmetics	\$	\$
	\$	\$
	\$	\$



SPENDING PLAN

MONTH

MONTHLY EXPENSES CONTINUED

Entertainment

	Actual Spending	Spending Goal
Cable TV/Movie Rentals	\$	\$
Going Out	\$	\$
	\$	\$
	\$	\$

Other

Money Sent Home/Charity/Donations	\$	\$
Education	\$	\$
Child Care	\$	\$
	\$	\$
	\$	\$

Total Monthly Expenses \$

PERIODIC EXPENSES

* List expenses here that you pay once or twice a year. Remember to list the **monthly amount** (1/12th of your annual cost.)

Taxes	\$	\$
Auto Insurance	\$	\$
	\$	\$
	\$	\$
	\$	\$

Total Monthly Periodic Expenses \$

DEBT EXPENSES

Credit/Department Store Charge Accounts	\$	\$
Student Loans/Other Loans	\$	\$
	\$	\$
	\$	\$
	\$	\$

Total Monthly Debt Expenses \$

SAVINGS

Emergency Fund	\$	\$
	\$	\$
	\$	\$

Total Monthly Savings \$

THE BOTTOM LINE

Total Monthly Income	-	Total Monthly Expenses	-	Total Monthly Periodic	-	Total Monthly Debt	-	Total Monthly Savings	=	Total Money Remaining
\$ <input type="text"/>	-	\$ <input type="text"/>	-	\$ <input type="text"/>	-	\$ <input type="text"/>	-	\$ <input type="text"/>	=	\$ <input type="text"/>

About This Module

The Financial Mentoring Program (FMP) offers resources for community organizations interested in providing financial mentoring services to clients. This training module is part of the FMP's take-home curriculum. Other modules in this series include:

Saving for Your Future: Covers the basics of how to save money to reach your financial goals, such as paying yourself first, creating savings goals, making a savings plan, and tips for successful saving.

Car Insurance: Are You Protected?: Outlines car insurance basics, types of coverage, and how to shop for it.

Taking Control of Your Debt: The basics of understanding debt, how to identify warning signs of debt problems, how to avoid debt traps, steps for getting out of debt yourself, and how to get outside help.

For copies, call Port Jobs at (206) 728-3883 or visit the FMP website at www.financialmentoring.net.

* * * *



Port Jobs makes good jobs easier to get and good employees easier to find. We engage in innovative research to develop practical programs to increase job opportunities and overcome barriers to work. For more information, visit www.portjobs.org.



The National Endowment for Financial Education® (NEFE®) is a nonprofit organization committed to educating Americans about personal finance and empowering them to make positive and sound decisions to reach financial goals. For more information, visit www.nefe.org.

Acknowledgments

Reference materials from the following sources were particularly helpful in developing this module:

- Community Action Partnership™ and NEFE®, www.managingmymoney.org
- Fannie Mae, *Growing Your Money: Personal Financial Tools and Home-Buying Guides*
- FDIC, *Money Smart Curriculum*
- Federal Trade Commission, *FTC Consumer Alerts*
- Freddie Mac, *CreditSmart® Curriculum*
- National Endowment for Financial Education®, *Financial Education Clearinghouse*
- University of Minnesota Extension Service, *Getting Through Tough Times Series*