OSU
OKLAHOMA COOPERATIVE EXTENSION SERVICE

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# Dollar Watch: Developing and Managing a Spending Plan

Family and Consumer Sciences

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Where does all the money go? House payment or rent? Food? Utility bills? Clothes? Video rental? Money may just seem to disappear from your wallet. Knowing how much you spend and what you spend money on is the first step towards matching expenses with income.

A spending plan can give you more control of family living expenses. It can help you decide: Where are you financially? How do you get where you want to be? A spending plan needs to fit your situation and desires. It should be flexible enough to allow for changes. By working together, family members can develop a plan to improve their financial well-being.

## Set Financial Goals

Setting financial goals is a way to plan your family's financial security. Together, decide what is important to your family now and two to three years from now. Then, decide what is important five to ten years from now, such as down payment on a house or education for children. Estimate the amount you need to start saving to achieve these future goals. It may not be possible to achieve the goals of all family members at the same time. You may need to stagger the times of goal accomplishment. It may be necessary for the family members to discuss and compromise about what goals are the most important.

## Needs vs. Wants

There are certain expenses we all have to pay (food, rent or house payment, and utilities). Needs are those expenses essential to a family's livelihood. But what do you wish you could spend your money on? These are things we think we cannot live without . . . the second television, new clothes, and a vacation. These "wants" can become goals. However, people rarely get all the things they want. Therefore, a family should decide what "wants" are priority items.

## Determine Your Income

When planning how to spend your income, determine the total of all income for your family from various sources. Start with take-home pay, commissions, interest from savings, child support payments, and income from rental property. Although you may receive income weekly, every other week, monthly, or quarterly, or a yearly bonus, enter the amount and source in the month you expect to receive the income. If some of your income varies, such as commissions, or is unreliable, such as child support payment, list estimates of this income separately. Then as you plan, you will know this cannot be counted on to pay for basic family expenses.

## Tracking Your Spending

When planning future spending, you will need to know how you are currently spending your money. This will help you identify patterns of spending commitments. The way you will know where the money goes is to write down how it is being spent on a daily basis. Total the daily spending for a monthly sum. Enter this monthly sum on the Family Living Expense Record. Keep track of the amount actually spent for all household items. This includes food, video rental, meals, snacks, money given to children, etc. Carefully look at how the family money was spent. Then, as a family, decide how to change the family's spending.

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# Guidelines for Developing a Spending Plan

1. List all family income by month in the "Money Available" line. Include take-home pay from a job, commissions, child support payments, interest, bonus, etc.

2. Identify money committed to family expenses. Some expenses are specific amounts paid on specific dates, such as rent or mortgage payments, installment loans, insurance payments, etc. Write the due date of these bills in the "Due Date of Expenses" column. Enter the estimated monthly amount in the "Plan" column for each month of the year.

3. Estimate the amount needed to be saved monthly for emergencies and goals the family wants to achieve. Record the monthly planned savings in the "Plan" column on the "Savings" line under "Expenses" for each month of the year.

4. Estimate monthly amounts for expenses that can vary from month to month, such as food, gasoline, recreation, and electricity. Past expenditure records can assist in making these estimates. Write these amounts in the appropriate "Plan" columns.

5. Account for all expected expenses in steps 2, 3, and 4. Revise and adjust the "Plan" figures each month as the family's needs and wishes change.

6. Each month, record actual expenses in the "Spent" column. Check to see if "Spent" figures are close to "Plan" expenditures. If some categories need more money, look for ways to adjust in other categories. Determine if there are ways to reduce spending. Sometimes changes in the family lifestyle will be necessary to gain control of living expenses.

# Family Living E

| | Due Date of Expenses | JAN | | FEB | | MAR | | APR | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Money Available | xxxxxxxxxx | | | | | | | | | |
| Expenses | xxxxxxxxxx | Plan | Spent | Plan | Spent | Plan | Spent | Plan | Spent | Pla |
| Savings | | | | | | | | | | |
| House Rent/Mortgage | | | | | | | | | | |
| Home Maintenance | | | | | | | | | | |
| Furnishings/Equipment | | | | | | | | | | |
| Electricity | | | | | | | | | | |
| Heat/Gas | | | | | | | | | | |
| Water, Sewage, Garbage | | | | | | | | | | |
| Telephone | | | | | | | | | | |
| Credit Card/Personal Loan | | | | | | | | | | |
| Food (Groceries) | | | | | | | | | | |
| Meals Away from Home | | | | | | | | | | |
| General Household Supplies | | | | | | | | | | |
| Auto | | | | | | | | | | |
| Car/Pickup Payments | | | | | | | | | | |
| Tags, License, Taxes | | | | | | | | | | |
| Gas/Oil | | | | | | | | | | |
| Auto Maintenance | | | | | | | | | | |
| Doctor, Dentist, Eye Care | | | | | | | | | | |
| Medications | | | | | | | | | | |
| Property Taxes | | | | | | | | | | |
| Insurance | | | | | | | | | | |
| Home | | | | | | | | | | |
| Auto | | | | | | | | | | |
| Health | | | | | | | | | | |
| Life | | | | | | | | | | |
| Educ./Self-Improvement, Newspapers, Books | | | | | | | | | | |
| School Expenses | | | | | | | | | | |
| Children's Lessons, etc. | | | | | | | | | | |
| Clothing and Personal Care | | | | | | | | | | |
| Recreation/Hobbies | | | | | | | | | | |
| Cable TV & Videos | | | | | | | | | | |
| Vacation | | | | | | | | | | |
| Personal Allowance | | | | | | | | | | |
| Membership Dues | | | | | | | | | | |
| Child Care/Household Help | | | | | | | | | | |
| Pet Care | | | | | | | | | | |
| Gifts | | | | | | | | | | |
| Contributions | | | | | | | | | | |
| Other | | | | | | | | | | |
| | | | | | | | | | | |
| Total Expenses | | | | | | | | | | |

# xpenses Record

| MAY | | JUN | | JUL | | AUG | | SEP | | OCT | | NOV | | DEC | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
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# Dollar Watch:

## You and Your Family Develop a Spending Plan

(continued from front page)

## Planning for Infrequent Expenses

Some bills you pay only once or twice a year, such as car tags and car insurance. You may need to save monthly to be able to pay these bills when they become due. Estimate the total amount needed for these expenses and how much you need to save each month to cover them. One way to manage this is to establish a special savings account for these expenses. When it is time to pay these expenses, the money can be taken from this account.

Another way of managing infrequent expenses is spreading such expenses across the year. For example, you could work with insurance agents to stagger the months when premiums are due. Another option is to use "budget plans" such as those offered by utility companies. These plans let you pay an estimated average bill each month with an adjustment month at the end of the budget plan year.

## Plan for Savings

Make savings for emergency expenses and family goals part of the spending plan. Once you decide the specific amount you want to save each month, list savings along with food, rent or house payment, utilities, and other expenses.

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