

# The SPENDING PLAN:

## Simple Steps To Financial Wellness

### Consumer Alert!

1-888-995-7856 **ALLIANCE**  
Credit Counseling

By Edward Tonini, Director of Education.



#### Did you know:

- **43% of American families spend more than they earn.**
- **On average, Americans spend \$1.22 for each dollar earned.**

(Source: <http://moneycentral.msn.com/content/SavingandDebt/P70581.asp>)

### Can You Answer “Yes”?

In the last year, **have you ever:**

- ✗ had an argument over money issues?
- ✗ used one credit card to pay off another?
- ✗ had difficulty keeping track of your bills or credit cards?
- ✗ felt like you’re living paycheck to paycheck?
- ✗ only been able to make your minimum monthly payment?

If you answered “yes” to any of these questions, you might be headed for serious trouble or you may at least be suffering from money management blues. Fortunately, there is a cure – a good Spending Plan (otherwise known as budgeting).

### What Is A Spending Plan?

A Spending Plan is simply a plan for how you will spend your money. An effective Spending Plan is **an important tool for creating and maintaining your financial health**. Through budgeting, you will clearly see what money you bring in (income) and where it is spent (expenses). If you ever wonder where your money seems to disappear to, this plan will help you find the mystery leaks, plug the holes, and make choices that will help you reach your goals.

### Contents

|                                    |   |
|------------------------------------|---|
| The Spending Plan .....            | 1 |
| Spending Plan Instructions .....   | 2 |
| Monthly Household Income .....     | 2 |
| Monthly Fixed Expenses .....       | 3 |
| Monthly Variable Expenses .....    | 3 |
| Monthly Optional Expenses .....    | 3 |
| Financial Wealth Action Plan ..... | 4 |
| Spending Plan Follow Through ..... | 4 |

### Why Make A Spending Plan?

A Spending Plan will help you:

- **gain control over your spending**
- **feel better by relieving stress**
- **be prepared for emergencies**
- **get out of debt (and stay out)**
- **start saving and build financial wealth.**



### Starting Your Spending Plan

On the following pages, you will find **clear worksheets** and simple step-by-step directions for creating an effective monthly Spending Plan. The worksheets are designed to help you:

- ✧ Clearly see your current income and expenses.
- ✧ Determine how much you are spending on certain types of expenses.
- ✧ Take better control of your expenses.

As you fill in the forms, remember that your Spending Plan is flexible. You can and should make adjustments as needed, so you may want to use a pencil for the worksheets. If you prefer to use a computer (which can save you time by doing the math for you), you can get these resources online at [www.knowdebt.org](http://www.knowdebt.org).

The budgeting process is broken down for you into **five steps:**

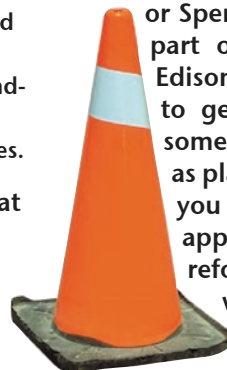
1. List your monthly **Household Income\*** - the amount of money you take in each month.

2. List your monthly **Fixed Expenses\*** - payments on things you need each month in order to live (these amounts are usually the same each month).
3. List your monthly **Variable Expenses\*** - payments on other things you need (but you have some control over the amount).
4. List your monthly **Optional Expenses\*** - the amounts you choose to spend on any other things (including impulse choices and other wants).
5. Create **Your Financial Wealth Action Plan\*** - calculate your totals, understand your numbers, choose targets, and take actions to meet your goals.

\*For ease in preparation, a separate worksheet is provided for each step.

### Dealing With Budget Barriers

Stuff happens. Let nothing distract you from your goal. When you encounter an obstacle or a set back, remember it is only temporary – this too, will pass. You should not be concerned about making adjustments to your worksheets or Spending Plan. It is a natural part of the process. It took Edison more than 1000 tries to get his lightbulb right. If something doesn’t go exactly as planned this month – relax, you are normal. Make the appropriate adjustments and refocus on your goals. You will succeed!



**Keep in mind** the primary purpose of the Spending Plan is to help you spend less than you earn. Be open to new ways to make that happen, especially when you encounter an obstacle. **Living within your means** is the keystone to financial wellness and future prosperity.

## To Begin:

**First** Make yourself several copies of the five worksheets and action plan (enlarge them, if desired). You can use these copies to plan or to make changes to your budget.

**Second** Fill out a copy of worksheets 1 to 4 (income & expenses) for the next month. To complete as much as you can, gather your paystubs for the last month, your monthly account statements, bills and receipts. If you haven't kept these, begin saving them.

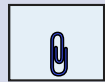
As you go:

- If an item on the worksheet does not apply to you, leave it blank. The items listed are not all inclusive, however, they should be enough to get started. If you want, you can add items in the blank lines at the bottom of each category.
- For any expense that does not occur monthly, calculate what it works out to on a monthly basis. For example, if you pay \$600 for car insurance every 6 months that works out to \$100 per month (amount / number of months = monthly).
- For now, leave the "Actually Spent" column blank.
- To help you with your planning, below each category title there is a suggested range (%) for how much of your Take Home Pay (THP) you might spend.

**Third** Use your individual results to complete *Your Financial Wealth Action Plan (final worksheet)*.

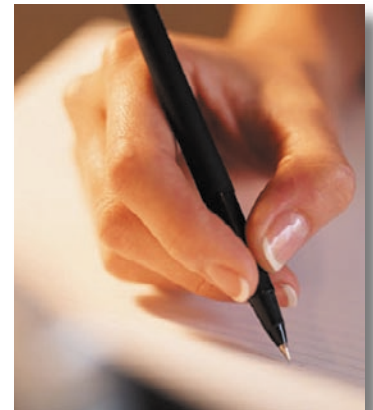
**Fourth** Read the final section (*Spending Plan Follow Through*) and apply the points to make your plan a success!

If you prefer to use a computer (which can save you time by doing the math for you), these worksheets are online at [www.knowdebt.org](http://www.knowdebt.org). Or if you are reading the PDF version of this publication, you can click on the paperclip in the box below to open the attached spreadsheet file.



## Worksheet 1: Monthly Household Income

| Sources of Income   | Subtotal | Total Income |
|---|----------|--------------|
| <b>Self</b><br>(before any taxes/deductions)  |          |              |
| Job   |          |              |
| Job 2   |          |              |
|   |          |              |
| <b>Spouse</b><br>(before any taxes/deductions)  |          |              |
| Job   |          |              |
| Job 2   |          |              |
|   |          |              |
| <b>Investment Income</b><br>(monthly check or deposit; actual income, not deductions) |          |              |
| Annuities   |          |              |
| 401k or 403b  |          |              |
| Savings   |          |              |
| IRA   |          |              |
|   |          |              |
| <b>Other Income</b>   |          |              |
| Family  |          |              |
| Child Support   |          |              |
| Alimony   |          |              |
| Church, Charity   |          |              |
| Government (SSI, Disability, etc.)  |          |              |
| Rent, Room, Board, etc.   |          |              |
|   |          |              |
| <b>Total Monthly Income</b><br>(Enter on worksheet 5)                                 |          |              |



**Remember**, your Spending Plan will be successful to the extent you are consistent with it, so do not give up! This is an ongoing learning process, so be patient with yourself. Allow yourself time to make the budgeting activities habit. It will be worth it in the long run.

## Worksheet 2: Monthly Fixed Expenses (necessary)

| Category  |   | Subtotals | Totals | Actual |
|---|---|-----------|--------|--------|
| Charitable Gifts                                |   |           |        |        |
| Payroll Taxes (Federal, State, SSI, med., etc.) |   |           |        |        |
| <b>Savings</b>                                  |   |           |        |        |
| <5-10% of THP                                   | Emergency                               |           |        |        |
|   | Education                               |           |        |        |
|   | Retirement (401k, etc)                  |           |        |        |
| <b>Housing</b>                                  |   |           |        |        |
| <25-35% of THP                                  | First Mortgage                          |           |        |        |
|   | Second Mortgage                         |           |        |        |
|   | Rent                                    |           |        |        |
|   | Taxes                                   |           |        |        |
|   | Insurance                               |           |        |        |
|   | Required Repairs                        |           |        |        |
|   | Association Fees                        |           |        |        |
| <b>Transportation</b>                           |   |           |        |        |
| <10-15% of THP                                  | Car payment 1(required for work/health) |           |        |        |
|   | Car payment 2(required for work/health) |           |        |        |
|   | Insurance                               |           |        |        |
|   | Gas & Oil                               |           |        |        |
|   | License & Tags                          |           |        |        |
|   | State Inspections                       |           |        |        |
|   | Taxes                                   |           |        |        |
|   | Maintenance/Repairs (required)          |           |        |        |
|   | Public Transportation                   |           |        |        |
| <b>Utilities</b>                                |   |           |        |        |
| <5-10% of THP                                   | Electricity                             |           |        |        |
|   | Gas or Oil                              |           |        |        |
|   | Water/Sewer                             |           |        |        |
|   | Trash                                   |           |        |        |
|   | Phone (primary)                         |           |        |        |
| <b>Obligations</b>                              |   |           |        |        |
|   | Child Support                           |           |        |        |
|   | Alimony                                 |           |        |        |
|   | Medical Insurance                       |           |        |        |
|   | Required Medicine                       |           |        |        |
| <b>Monthly Fixed Expenses Total</b>             |   |           |        |        |
| <small>(Enter on worksheet 5)</small>           |   |           |        |        |

## Worksheet 3: Monthly Variable Expenses

| Category                               |                       | Subtotals | Totals | Actual |
|--|-----------------------|-----------|--------|--------|
| <b>Personal</b>                        |                       |           |        |        |
| <5-10% of THP                          | Child Care            |           |        |        |
|  | Cosmetics/Toiletries  |           |        |        |
|  | Hair Care             |           |        |        |
|  | Nonprescription Drugs |           |        |        |
|  | Dentist               |           |        |        |
| <b>Food</b>                            |                       |           |        |        |
| <5-15% of THP                          | Groceries             |           |        |        |
|  | Household Supplies    |           |        |        |
| <b>Clothing</b>                        |                       |           |        |        |
| <5-10% of THP                          | Children              |           |        |        |
|  | Adults                |           |        |        |
|  | Cleaners/Laundry      |           |        |        |
| <b>Debts (unsecured)</b>               |                       |           |        |        |
| <5-10% of THP                          | Credit Card 1:        |           |        |        |
|  | Credit Card 2:        |           |        |        |
|  | Credit Card 3:        |           |        |        |
|  | Dept. Card 1:         |           |        |        |
|  | Dept. Card 2:         |           |        |        |
|  | Loan 1:               |           |        |        |
|  | Loan 2:               |           |        |        |
|  | Student Loan:         |           |        |        |
|  | Medical Bill 1:       |           |        |        |
|  | Medical Bill 2:       |           |        |        |
|  | Other                 |           |        |        |
| <b>Monthly Variable Expenses Total</b> |                       |           |        |        |
| <small>(Enter on worksheet 5)</small>  |                       |           |        |        |

## Worksheet 4: Monthly Optional Expenses

| Category                               |                     | Subtotals | Totals | Actual |
|--|---------------------|-----------|--------|--------|
| <b>Personal</b>                        |                     |           |        |        |
| <5-10% of THP                          | Life Insurance      |           |        |        |
|  | Secondary Phone     |           |        |        |
|  | Smoking/Alcohol     |           |        |        |
|  | Subscriptions       |           |        |        |
|  | "Reward \$"         |           |        |        |
|  | Restaurant/Take Out |           |        |        |
|  | Dental Insurance    |           |        |        |
|  | Home Security       |           |        |        |
| <b>Recreation</b>                      |                     |           |        |        |
| <5-10% of THP                          | Entertainment       |           |        |        |
|  | Cable/Satellite     |           |        |        |
|  | Vacation            |           |        |        |
|  | Babysitter          |           |        |        |
|  | Gifts               |           |        |        |
|  | Pets                |           |        |        |
| <b>Monthly Optional Expenses Total</b> |                     |           |        |        |
| <small>(Enter on worksheet 5)</small>  |                     |           |        |        |

## Worksheet 5: Monthly Totals

|  |                     |  |
|--|---------------------|--|
| <b>Total Income</b> (sheet 1)                      | :                   |  |
| subtract <b>Total Fixed Expenses</b> (sheet 2):    | -                   |  |
|  | Subtotal:           |  |
| subtract <b>Total Variable Expenses</b> (sheet 3): | -                   |  |
|  | Subtotal:           |  |
| subtract <b>Total Optional Expenses</b> (sheet 4): | -                   |  |
|  | <b>Grand Total:</b> |  |

### Understanding Your Numbers (Where are you?)

**A** ➤ If your **Grand Total** is a **positive** number: Congratulations, you are building financial wealth! If you have an emergency fund of at least \$1000 and you save at least 10% of your income, please pass on your financial wisdom to others. Please read the last page to look for possible tweaks to your Spending Plan.

**B** ➤ If your **Grand Total** is **zero**: Congratulations, you have what is known as a balanced budget. If you do not have an emergency fund of at least \$1000 or if you are not saving at least 10% of your income, please complete Your Financial Wealth Action Plan to take your Spending Plan to the next level.

**C** ➤ If your **Grand Total** is a **negative** number: Take heart, you have done much of the work needed to turn your situation around. Please continue to the next section.

