

Financial Fitness Series:

Shape Up Your Spending

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Does your budget have bumps and bulges? Does your spending plan need to go on a diet? It takes work, but you **can** get your spending in shape. To do so, you need to know:

- How you feel about money.
- What your spending goals are.
- How to plan ahead for some expenses.
- How to match your expenses with your income.
- How to change your spending habits, if you want to.

How Do You Feel About Money?

If you received a gift of \$500, what would you do with it? Pay off bills? Put it in the bank? Buy clothes? Make a down payment on a car? Buy a VCR?

How you spend your money depends on how you feel about money. To some people, money is power. To others it means status and prestige. To others it means security. Some people use money to get the things they want in life. Others just want to have enough to pay for day-to-day needs.

Shape Up Tip #1

Try to understand how you and your family feel about money. This will help you shape up your spending to meet your needs. What type of money spender are you? Do you fit into more than one category? Which categories do other family members fit into?

Money Spender Type 1

- Spend only for what I need.
- Save for emergencies.
- Like to have \$\$ in my pocket.
- Shop around for the best deal.

Money Spender Type 2

- Nothing but the best for me.
- Expensive clothes are important.
- You've got to spend \$\$ to get ahead in life.
- Cheap stuff isn't worth much.

Money Spender Type 3

- Nobody ever has enough \$\$.
- Credit is necessary.
- Buy the things you want, NOW.
- I deserve the nice things in life.

Money Spender Type 4

- Don't worry – the \$\$ will come from somewhere.
- Worrying about \$\$ never helps.
- Keeping track of spending can drive people crazy.

Money Spender Type 5

- Money can't buy happiness.
- You can have fun without spending \$\$.
- Other things are more important than \$\$.

What Are Your Spending Goals?

There are some expenses we all have to pay – for food, clothes, shelter and keeping warm in winter. But what do you wish you could spend your money on? These wishes are your spending goals. It helps to write these goals down and discuss them with your

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family, especially if there are different “Money Spender Types” in your family. Some of their wishes may be different from yours, and you’ll need to decide which goals to work on first, second and so on.

Shape Up Tip #2

Set up spending goals. These can act as a guide to help you spend your money for things that are most important to you.

You can use Worksheet 1 to list your spending goals. In the first column, write down the things you’d like to have soon (in the next six months). In the second column, list the things you’d like to have or to do in three or four years.

Worksheet 1 Spending Goals			
Goals (Soon)	\$\$ Needed	Goals (Later)	\$\$ Needed

Plan Ahead for Some Expenses

What do you spend your money on? Rent? Food? Clothes? Utility bills? Do you ever wonder where all the money goes? Some money is “phantom” money – spent for snacks, parking, magazines – it just seems to disappear from your wallet.

Shape Up Tip #3

Watch for “phantom” money spending. Keep track of **all** the money you spend for one or two weeks. Then ask yourself, “**Do I really want to spend my money on these things?**” For example, 50 cents a day for a soda adds up to over \$125 a year. You may decide to save that 50 cents for a vacation or a new coat instead.

Besides rent, food, clothes and utility bills, you have many other expenses. What are they? When do they occur? If you can plan ahead and set aside some money, these expenses won’t become “budget busters.”

Shape Up Tip #4

Use the Spending Calendar Worksheet 2 to help you plan ahead. When are birthdays in your family? How much do you want to plan to spend on holiday gifts? When is the insurance payment due? When is car registration due? The list of possible expenses below may help remind you of expenses you might have.

Possible Expenses			
<p>Savings and Investments Life insurance Retirement Other savings</p> <p>Housing Rent/mortgage Taxes Maintenance/repairs Services/utilities Fuel, gas, electricity Water/sewer Garbage collection Telephone Furniture Cleaning supplies Stamps</p> <p>Food Groceries Snacks Restaurants School lunches</p>	<p>Transportation Car payment Gas, oil, tires Insurance Maintenance Repairs Registration License Bus/subway Air/rail Tolls Parking</p> <p>Health Insurance Medicines Doctor/dentist Eyeglasses Lab tests Hospital charges Barber/beauty shop Cosmetics Personal care</p>	<p>Apparel Clothing Shoes Laundry Dry cleaning</p> <p>Professional Union dues Membership fees</p> <p>Education Books Supplies Tuition/fees</p> <p>Gifts Church Charity Birthdays, weddings Holidays</p> <p>Taxes Income tax Personal property tax</p>	<p>Other Pets Alcohol Cigarettes Alimony/child support Child/dependent care Debt repayment Rental agreements Finance charges (interest) Lottery tickets Other insurance Legal services Loans to others</p> <p>Spending Money</p> <p>Recreation Cable TV Admissions and tickets Games and hobbies Lessons (music, dance) Newspapers Magazines Sporting goods Sports</p>

Worksheet 2 Spending Calendar

Write in the expenses your family will have once or twice a year. This should help you remember when large payments are due. You may be able to spread these out over the year if you plan ahead.

Item	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Holidays													
Birthdays													
School supplies													
School/work clothes													
Car registration													
Car insurance													
Other insurance													
Club dues													
Subscriptions													
Repair fund													
Replacement fund													
Taxes													
Goal #1													
Goal #2													
Goal #3													
Other:													
TOTAL													

Matching Expenses and Income

Now you're ready to try to match expenses with income. Just follow the steps and use Worksheet 3 to set up your own spending plan.

Step 1. On the top line, write down the income you expect from each check (this could be money from your job, child support, public assistance). You may receive income weekly, every other week, monthly or quarterly. Use one column for each pay period.

Step 2. In the top half of the worksheet, list your fixed expenses. Some of them are listed for you – you

can add others. Check your Worksheet 2 Spending Calendar to add other fixed expenses you have. You may need to spread some expenses over two or more checks.

Example: If you get paid weekly and your monthly rent is \$400, you need to set aside \$100 a week.

Example: If you get paid weekly and your car insurance is \$182 every six months, you need to set aside \$7 a week.

Step 3. As you list an expense, subtract it from the amount left from your pay.

Worksheet 3 Family Spending Plan

Income	\$	\$	\$	\$	\$
Fixed Expenses					
Rent/Mortgage	-	_____	_____	_____	_____
	Left				
Installment Payments	-	_____	_____	_____	_____
	Left				
Utilities on Budget Plan	-	_____	_____	_____	_____
	Left				
	-	_____	_____	_____	_____
	Left				
	-	_____	_____	_____	_____
	Left				
Flexible Expenses					
Food	-	_____	_____	_____	_____
	Left				
Transportation (gas, oil, fares)	-	_____	_____	_____	_____
	Left				
Utilities (phone, water, electric, gas)	-	_____	_____	_____	_____
	Left				
Fun Money (entertainment)	-	_____	_____	_____	_____
	Left				
Personal Spending Money	-	_____	_____	_____	_____
	Left				
	-	_____	_____	_____	_____
	Left				
	-	_____	_____	_____	_____
	Left				

Step 4. List your flexible expenses in the bottom half of the worksheet. Some of these are listed for you – you can add others. Again, check your Spending Calendar to add other flexible expenses you have. You may need to spread some expenses over several pay periods.

Example: If you get paid monthly and your weekly grocery bills are about \$70, you need to set aside about \$280 for food.

Step 5. As you list an expense, subtract it from the amount you have left from your pay.

Making Changes

You may find that you can't always pay your bills. It's not always possible to save money from one check to the next. When this happens, you'll need to look for ways to spend less.

1. **Find the best buy.** Look in several places – a catalog, newspapers, two or three stores, perhaps including a secondhand store, and garage sales. Spend time looking before you spend your money.
2. **Use wisely.** Make the things you buy last longer by taking proper care of them. See if you can find ways to make the clothes you buy wear longer and the food you buy keep from spoiling.
3. **Substitute.** When you go to buy something, ask yourself if a lower-priced item will do the job just as well. Use store brands and generics instead of name brands. Or rent a videotape instead of taking the family to the movies.
4. **Share it.** Stretch resources by sharing with neighbors and friends. Chip in to buy larger amounts at lower unit prices (for example, a bushel of apples shared with four families); join car pools.
5. **Find it free.** There are some items that are available for free. Use public parks and playgrounds instead of expensive health clubs for exercise. Borrow books, records and videotapes from the library rather than buying them.
6. **Rent or borrow it.** When you need something for a short time, it could be cheaper to rent it than to buy it. Rented or borrowed items must be returned in good condition.
7. **Trade or swap.** Do you have things in your home that you no longer use? Can you trade them for things you need? Do you have talents or skills you could trade with your neighbors – can you trade time babysitting for help with home repairs.
8. **Make it.** Sometimes it's cheaper to make something than to buy it, but it means you must use your time and skills. Make sure the cost of materials is cheaper than buying the finished product.
9. **Watch “phantom” money.** Keep track of the money in your wallet. Cut back or cut out spending on snacks, phone calls, movies, magazines, eating out, record/book/videotape clubs.
10. **Don't buy it.** Ask yourself if you really need this item or if there's something you want even more. Learn to say no to yourself, to your children, to salespeople and to things you feel pressured into buying. Doing without one item can help you get something else you want more.

Financial Fitness Series

Shape Up Your Spending, FSHEC42

Build Your Savings, FSHEC43

Trim Your Credit Line, FSHEC44

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