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Family and Consumer Sciences

FSFCS203

Financial Smart Start for Newlyweds

Realistic Expectations About Expenses and Income

James P. Marshall, Ph.D.
Assistant Professor - Family Life

Laura Connerly
Instructor - Family Resource Management

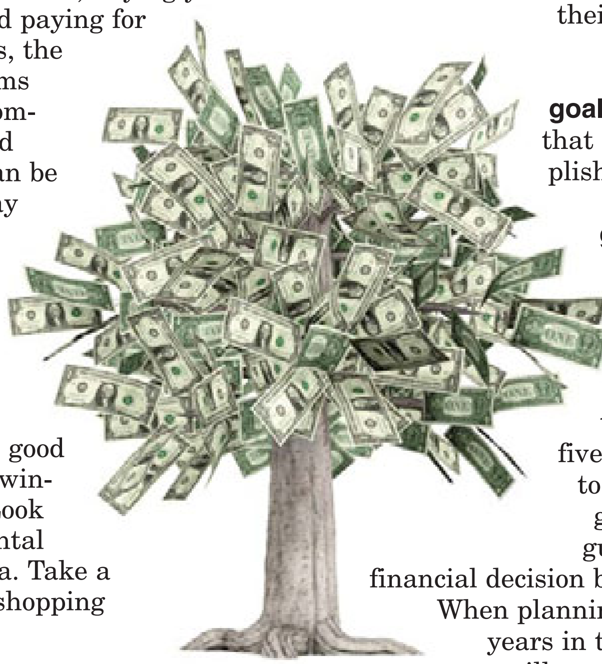
Our body cells renew themselves while we sleep; if only our wallets would do the same!

– P.K. Shaw

Things Cost More Than You Think

Have you ever seen the long-running television game show, "The Price Is Right"? In one game, the host would bring out items ranging from a can of corn to a new car and contestants would try to guess the correct price. The contestant who most consistently guessed the correct prices was the winner.

If you have not had experience in renting your own home, buying your own groceries and paying for your own utilities, the price of these items may come as a complete surprise and their total cost can be shocking. You may discover that these expenses eat up most of, or even exceed, you and your partner's take-home pay. Before you marry, it is a good idea to do some "window shopping." Look at the price of rental units in your area. Take a practice grocery shopping trip together.



Ask friends what they pay for utilities. This information will give you a background for setting up your own home together.

Financial Goal Setting

Achieving your personal goals in earnings, savings and investing requires wise planning. It is important to be realistic about financial goals and to agree on them. Otherwise, one of you will be dreaming of an expensive stereo system while the other is determined to pay off a debt. Goals are the foundation for any financial plan, and the actions that follow should be personally meaningful and clearly written. One reason couples become financial failures is they haven't thought through their goals, so they are working at cross-purposes or they let their income float through their fingers.

Short-term goals are goals that can be accomplished in one year. **Intermediate goals** can be accomplished between one to five years. **Long-term goals** are those requiring five years or more to achieve. With goals as a guide, every financial decision becomes easier. When planning for several years in the future, you will need to consider

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Visit our web site at: http://www.uaex.edu the impact of cost increases. You may have heard the phrase “a dollar doesn’t buy what it used to.” In the mid-1950s, gasoline was less than 25 cents per gallon, and you could go to a movie for 50 cents. To plan future expenses, consumers must consider inflation. If you plan to go on a cruise for your tenth anniversary, estimate the current cost and increase the amount for estimated inflation (3 or 4 percent per year are estimates often used).

It is also important to be specific about your goals. Achievable goals are SMART goals (specific, measurable, attainable, realistic and time-bound). For example, if your goal is to save enough money for a one-week vacation, you would need to research the price of travel, lodging, entertainment and food for one week. Once you know the total price (with maybe a little extra for unforeseen expenses), divide it by the number of weeks or months left until you want to go on your vacation. How much will you need to save each week or month to reach your goal? You may need to adjust what you spend on other things to be able to save that much each week or month.

Think about some financial goals you would like to achieve. Divide them into short-term, intermediate and long-term goals. Be as specific as possible. How soon would you like to achieve each goal? How much money will it take to accomplish each goal? Take the time to write down each goal and attach a price tag to it using the table below. Each partner should do this for himself or herself before comparing goals. Sort your goals into those 1) that are the most important, 2) that you want a lot but could live without if necessary and 3) that you could give up easily.

Short-Term Goals	When to be achieved	Total price	Amount to save each week or month
Intermediate Goals	**When to be achieved**	**Total price**	**Amount to save each week or month**
Long-Term Goals	**When to be achieved**	**Total price**	**Amount to save each week or month**

The next step is to choose a time when you will not be interrupted to discuss your goals. Which goals do you agree upon? If you don't agree on a goal, where or how can you compromise? Here it is important to think creatively and to be open to each other's ideas.

One or the other of you may have to downsize your goals or to postpone achieving them because of unexpected events, such as an illness, injury or layoff. In this case, you will need to go back to the drawing board, discuss how you can eventually achieve these goals or modify them to make them more possible.

Some couples find that posting a goals list on a bulletin board in their home or on the front of the refrigerator is very helpful. Seeing your goals every time you go to the refrigerator can be reinforcing. If you break your goals into small steps, you can treat yourself as you achieve each step. For example, Ann and John wanted to save enough for a down payment on a new house. However, they also had two children that would be college age in a few years. By posting their goal on the refrigerator where everyone could see it every day, they actually achieved their goal six months earlier than expected. They also built in rewards for each step. When they achieved each dollar amount, they took the whole family out to dinner. If they got lazy about their goal, their children would remind them (true story).

How Much Do You Make?

For most couples, the money they have to spend, save and invest is earned through work. Two-earner families are the norm today, although each spouse may make widely different amounts.

Surprisingly, most couples marry without having any discussions about money, including how much each spouse earns, how much they will earn together or what their plans are for earning money in one year or five. They may not even know if their combined salaries are enough to cover their current expenses. We understand that it does not seem very romantic to talk about income, credit and savings when you are dating. However, if you don't have an open discussion about financial matters before you marry, you will be on unfamiliar terrain with all the emotional baggage that money carries.

Before you and your spouse can make decisions about how to spend your income, think about how you earn your money.

- How much do you expect to earn in your lifetime?
- What fringe benefits (such as health and life insurance) come with your jobs or professions?
- What other expenses does your employer pay?
- Can you increase your income by improving your performance or skills so that you are worth more to your employer?
- How do you feel about both husbands and wives working outside the home?
- Are you prepared for a loss of income if one spouse stays home to care for children?

People who are self-employed, people who work on commission, farmers and others with irregular incomes may not be as precise in plotting their income as those who work for a salary or wage. If that is your situation, estimate your income for your smallest and largest amounts, arrive at an average of the two and plan your expenses to fall under that amount. On the months or quarters when your income exceeds your expenses, save the excess for the leaner months. A large surplus can pay for "extras" such as a vacation, a new stove or something special.

It is important to plan for both your expenses and your incomes. Income and expense statements let you see what money is coming in and where it goes. An income statement is a list of income from all sources for a specific period of time. An expense statement is a list of all expense transactions for a specific period of time. Together they are sometimes referred to as a cash-flow statement or an income-expense inventory.

Gross monthly income is the total of all sources of income before any amount is deducted. The income figure you will want to use in your spending plan is net income. Net income is the amount after taxes and all other deductions have been made (pension/retirement contributions, group health insurance, union dues, etc.). It is the actual dollar amount available for you to spend. Use the table below to plan how much income flows into your household each month:

Monthly Household Income			
Source	**Husband**	**Wife**	**Total**
Salaries/wages			
Money from investments			
Money from self-employment			
All other money			

The amount of income you earn has nothing to do with how well you manage it. People who earn large amounts of money can have just as much trouble making ends meet every month as people who earn very little. However, through careful managing, you should be able to achieve your financial goals, regardless of your income.

Recommended Resources

- www.arfamilies.org – The Arkansas Families web site of the Cooperative Extension Service has the latest research-based information on family life, personal finance, nutrition, health and personal development.

- https://powerpay.org – PowerPay features online financial calculators to help you design your best money management plan. Go to https://powerpay.org and click on the "Arkansas" tab. Features include:
  - PowerPay: Discover your fastest debt repayment plan.
  - Spending Plan: Compare what you spend to experts' recommendations.
  - PowerSave: Project savings based on different options.
  - Calculators: Calculate house and transportation costs, emergency savings and more.

- **The Marriage Garden** – Creative, research-based marriage education curriculum that focuses on six keys of healthy marriage relationships (available at www.arfamilies.org or by contacting your local county extension agent).

- ***The Seven Principles for Making Marriage Work*** by John Gottman – A practical guide from the country's foremost relationship expert (available from most booksellers).

You have just completed *Realistic Expectations About Expenses and Income*, FSFCS203.

Please check out these other fact sheets in the **Financial Smart Start for Newlyweds** series:

Financial Smart Start for Newlyweds: Introduction, FSFCS200
Understanding and Sharing Your Financial History, FSFCS201
Debt in Marriage, FSFCS202
Creating and Sticking to a Budget, FSFCS204
Credit and Overspending, FSFCS205
Money, Manipulation and Power, FSFCS206

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DR. JAMES P. MARSHALL is assistant professor - family life and **LAURA CONNERLY** is instructor - family resource management, University of Arkansas Division of Agriculture, Cooperative Extension Service, Little Rock.

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