



Managing Money & Love

Issue 3: Budgeting

Some families seem to have a knack for making ends meet. The difference is not how much money they have but how well they manage their resources. These families have learned the value of planning and controlling expenses by using a spending plan.

Budget Basics

In this issue, you will learn to make a monthly spending plan. Monthly expenses that stay about the same each month are easy to remember. You will also learn to plan for non-monthly periodic expenses that can be budget-busters if you don't have money set aside for them.

Most "unexpected" expenses are things we've "neglected" in our spending plan. What are some expenses that always seem to cause stress for your family?

The next sections can help you decide if it's the little things or the big things that cause the most trouble. You may get a few ideas for ways to plan for or to control them.

Little Things Add Up

Does your money seem to just disappear? Cutting out a few daily expenses can do magic!

Figure how much these "little things" cost each year. (Answers on page 2)

1. Eating out \$5/day = \$150/month x 12 or \$_____ year.
2. Soft drink \$1/day = \$30/month x 12 or \$_____ year.
3. Movie rental \$5/week x 52 = \$_____ year.
4. Cigarettes \$4/day x 365 = \$_____ year.
5. Coffee \$2/day x 365 = \$_____ year.
6. Snacks \$1/day x 365 = \$_____ year.
7. Alcohol \$20/week x 52 = \$_____ year.



All of these together add up to \$7,015/year.
What else could you do with nearly \$600/month?

Knowledge About Spending Plans

Use these words to complete the statements and increase your knowledge about spending plans.

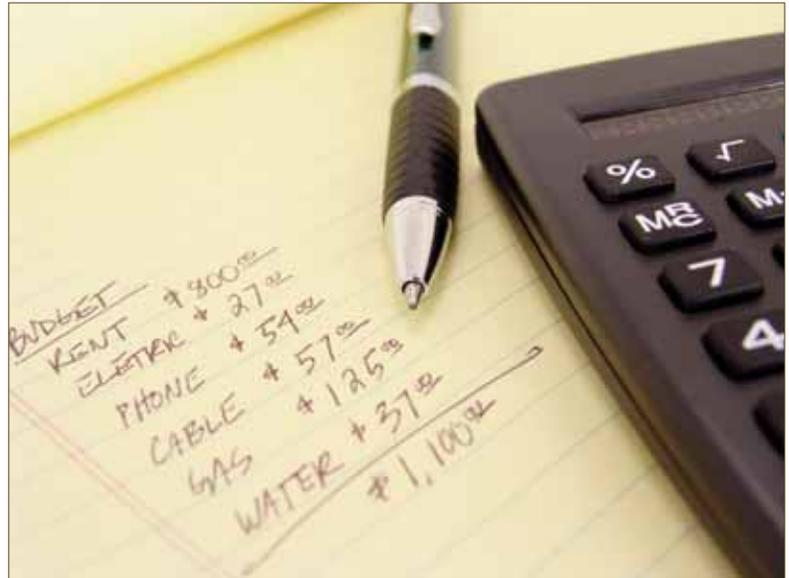
**debt
expenses**

**fixed
flexible**

**income
needs**

**periodic
written**

1. A spending plan helps couples to live within their _____.
2. One of the best ways to stay on track with a spending plan is to stay out of _____.
3. Two major parts of a spending plan are income and _____.
4. Before developing a spending plan, it is a good idea to keep a _____ record of your income and expenses for two or three months. This helps you establish a more realistic and accurate plan you can stick with.



5. Expenses that stay the same each month, like housing, car payments or other monthly installment credit payments, are called _____ expenses. These are the easiest payments to remember and the hardest to change. Write them on your spending plan first.
6. Expenses that change from month to month are called _____ expenses. These may include food, clothing, gasoline, personal care and most daily expenses. The envelope method is one way to control these. Write how much you can afford on your spending plan, and put that amount in an envelope labeled for that category. When the envelope is empty, it's time to stop spending.
7. Irregular or _____ expenses that don't occur every month are the hardest to remember. To avoid budget bumps and bulges, plan for these annual expenses.
8. Separating wants from _____, or what is absolutely necessary, is another important part of budgeting. Include necessities in your budget first and make sure to set aside the money to cover those that are a priority. Some people who fail to plan mistakenly believe they have money to spend on what they want when they get a paycheck. Those who have planned carefully realize that most of their income is already designated for other expenses before it arrives.

1. Income 2. Debt 3. Expenses 4. Written 5. Fixed 6. Flexible 7. Periodic 8. Needs

Answers to Knowledge About Spending Plans:

A. \$1,800 B. \$365 C. \$260 D. \$1,460 E. \$730 F. \$365 G. \$1,040

Answers to Little Things Add Up:

Monthly Spending Plan

GROSS INCOME	\$	
Minus taxes and other deductions		
NET INCOME		\$
ESTIMATED EXPENSES		
Housing		
Food at home		
Food away from home		
Clothing		
Clothing care		
Life insurance*		
Car payment(s)		
Gasoline		
Utilities (gas, water, electricity)		
Cable TV		
Telephone		
Home furnishings/appliances		
Credit card payments		
Other loans		
Personal care		
Health care (doctor, dentist, medicine)		
Household supplies		
Recreation		
Emergency fund/savings		
Savings for non-monthly expenses (see next page)		
Miscellaneous (pets, hobbies, club dues, subscriptions)		
TOTAL EXPENSES		\$
DIFFERENCE BETWEEN INCOME AND EXPENSES		\$
*Do not include if payroll deducted.		

The **first step** in making a spending plan is to **figure your income** and estimate your expenses. If you keep a written record of what you actually spend for a month or two, your estimated expenses will be more realistic.

Use the form to the left to record income and expenses. Finally, subtract your total expenses from your net income. If the result is negative, look for ways to cut back. **Your goal is to balance** your income with your expenses.

For an EXCEL spreadsheet template to design your spending plan, visit our web site at www.arfamilies.org.

Schedule Non-Monthly Expenses

ITEM	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Cost	Avg Monthly Amount
Car services/tires				35					35	300	35		405	33.75
Taxes-personal property									150				150	12.50
Auto insurance(s)		300						300					600	50.00
Total Amounts		300		35				300	185	300	35		1155	96.25



Set aside each month

↑ EXAMPLE ↑

ITEM	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Cost	Avg Monthly Amount
Total Amounts														



Set aside each month

in the next issue: **Saving**

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